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UNEMPLOYMENT AND UNDEREMPLOYMENT

IN THE

BIZONAL AREA OF GERMANY

by

EARL R. BECKNER

Economic Adviser
Manpower Division

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Office of Military Government for Germany (U. S.)
Manpower Division
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Unemployment and Underemployment in the Bizonal Area of Germany

Summary and Recommendations

I. Statement of the Problem

Unemployment is Large and Continues to Increase, Contrary to Normal Seasonal Trend.

Unemployment in the Bizonal Area has reached serious proportions. As of the end of June, 1,237,712 workers or about 9.3 per cent of persons in the dependently employed group were unemployed. The number continues to increase, although this is the time of year when seasonal factors normally reduce unemployment. If only the normal seasonal factors had been operative since December 1948, the unemployed would number less than half the present total. In addition to the wholly unemployed, large numbers of workers are on part time work.

Extent of Unemployment Varies by Area, Industry and Occupation. In General, it has Continuously Increased since December 1948.

In certain areas, industries and occupations and for certain types of workers, the extent of unemployment is large, whereas in others it has remained relatively small. At the end of June in Schleswig-Holstein, Niedersachsen and Bayern, which are largely agricultural areas, the percentages of unemployed were 22.6, 13.7 and 12.6, respectively. In Nordrhein-Westfalen and Wuerttemberg-Baden, which are highly industrialized, the percentages were 4.2 and 4.7, respectively. (Tables 4 and 5). The chief reason for the difference in unemployment in the agricultural as opposed to the industrial Laender lies in the far greater number of refugees who were settled in the former. These persons went to the farming areas where there was some housing but relatively few workplaces.

Most occupations and industries have shown continuous increases in unemployment since December 1948. A few, however, after reaching a peak in March, have shown some seasonal decline. These are agriculture, building materials and building construction. Unemployment remains substantial in agriculture and in building construction. In most other occupations, unemployment has steadily increased. (Table 1). The occupations with the greatest number of unemployed persons at the

end of May, 1949, are the following:

White collared workers	202,609
Unskilled workers	166,314
Metal and related trades	114,010
Agriculture and forestry	96,762
Transportation and communications	90,956
Building construction	73,724
Domestic servants	55,461
Non-permanent occupations	53,851
Clothing and shoe workers	49,021
Other professional and salaried	47,363
Wood working and related trades	44,122
Food processing and tobacco	42,130
Engineers and technicians	29,287
Hotel and restaurant employees	28,390
Textile workers	24,235

Many of the white collared and unskilled workers are normally attached to industries represented by other of the occupational groups. Their numbers are not included in the totals given, for example, in metal and related trades or in building construction.

Since currency reform the number of unemployed male workers has increased by 170 per cent to a total of 894,279; while unemployed female workers increased by 211 per cent to a total of 343,433. (Tables 2 and 3).

Comparison of shifts in employment and unemployment in the different occupational groups indicates that many workers are attempting to change their occupations. (See Table 9). Male workers are attempting in particular to leave the agricultural, unskilled, and white collared occupations and to enter the metal working, woodworking and construction trades. Female workers are attempting to leave agriculture, and are offering themselves for work in textiles and clothing, and as domestic, unskilled and white collared workers. Particularly in the three groups last mentioned, the data indicate both a shift in occupations and increased numbers entering the labor market.

Unemployment Among Refugees is Much Greater than among the Indigenous Workers.

The percentage of refugees who are unemployed is very high in comparison with the unemployed indigenous workers. Refugees constitute 17.1 per cent of the population but 36.3 per cent of the unemployed. (Table 13). In Bayern, refugees represent 23.3 per cent of the manual and white collared labor force, but they are 41.3 per cent of the total unemployed, and 44.4 per cent of the total receiving unemployment benefits or relief. In Schleswig-Holstein, the refugees were 57.2 per cent of the total unemployed and in Bayern 41.3 per cent, although they constituted respectively but 38.2 and 20.6 per cent of the total population.

The Number of Unemployed Persons Per Job Opening Varies Greatly by Area and Occupation.

How difficult it is for workers to find jobs is indicated by the number of registered unemployed per job opening. As of the end of May, the number of unemployed males for each job opening in the Bizonal Area was 11.8, for females 5.7 and for total 9.0. The contrast between the Laender is great. At the end of April in Schleswig-Holstein there were 88.4 unemployed men for each job vacancy, 33.5 unemployed women, and 61.2 total. In Nordrhein-Westfalen, the respective numbers were 2.5, 2.0, and 2.4. In Schleswig-Holstein, there were 247 unemployed male metal workers for every vacant job, and 180 unemployed building workers for every vacant job. (Tables 10 to 12).

Unemployment Arises from Dismissals from Employment and from Accessions to the Labor Force.

The unemployed consist in part of additional persons coming into the labor force, but many are persons who have been dismissed from employment. The unemployed increased by 495,000 from December 1948 to June 1949, whereas the number of employed persons decreased by 255,000. Thus about 240,000 represented additions to the labor force. In the depressed areas (with 10 per cent or more unemployment) decreases in employment were the cause of nearly all of the increases in unemployment from June 1948 to March 1949. In the three agricultural Laender, Niedersachsen, Schleswig-Holstein and Bayern, the percentages were 85.5, 83.7 and 83.8, respectively. (Table 16).

The Costs of Unemployment are Huge.

This unemployment represents a serious loss to the Bizonal economy. One careful estimate, arrived at after subtracting 2½ per cent of the dependently employed labor force as an irreducible minimum of unemployment, indicates monetary and production losses of DM 10 billion annually. In addition are the social losses and political dangers connected with unemployment.

Underemployment - the Necessity of Creating Several Millions of Additional Work Places.

There is also a huge problem of underemployment in the Bizonal Area. The population is roughly 8.5 million larger than in 1936. If allowance is made for only the current population; the normal movement from agriculture to industry; the probable increase in the proportion of total population in the labor force from 44.3 per cent to, say, 50 per cent; the return of war prisoners; the incorporation of displaced persons into the industrial population; the necessity of finding work places for the unemployed and for persons currently employed by the Occupying Forces, one arrives at a total of about 3.9 million additional work places that must be found in the foreseeable future in industry and handicrafts, commerce and transport, public and private services. This would mean an increase of 36 per cent in persons dependently employed, other than in agriculture and forestry, beyond the peak of employment reached in December 1948.

no allowance were made for population growth, loss of industrial work places through war damage and dismantling, and necessary shifts in types of work places to correspond to changes in needed products, the number of required work places would be even larger.

The problem is particularly serious since these workers must be put to highly productive work, mainly in industry, in order that the population may support itself and pay for needed imports. This will require large amounts of capital, which is the greatest bottleneck to industrial recovery.

III. Causes of Unemployment

A detailed examination shows that many factors are causing the current unemployment:

a) Seasonal Factors.

Only a small proportion of existing unemployment is caused by seasonal factors. At this time of year these factors in general favor a reduction of unemployment.

b) Structural Causes - Those Involving Basic Changes in the Economy.

These causes reflect some of the results of the war and other long-range factors. They are, for example:

(1) The excessive population of the Bizonal Area.

(2) The maldistribution of refugees and evacuees from the standpoint of work opportunities.

(3) Excessive agricultural population is reflected in the long-term trend from agricultural to industrial employments.

(4) Tight economic conditions are causing increased unemployment among white collared and transportation workers.

(5) Plant rationalization.

(6) The decline in employment of Germans by the Occupying Forces.

(7) Return of prisoners of war, entrance of displaced persons into the labor market, and the continuing influx of refugees.

c) Miscellaneous Causes.

Among these factors are:

(1) Lack of raw materials, coal and electric power, and service items.

(2) Breakdown of trade with the Soviet Zone and eastern Europe and the effects of the Berlin Blockade.

(3) Various governmental actions, such as declaration that German hotels and restaurants are "off limits" to occupation personnel, effects of the "dollar clause", and dismantling of industrial plants.

(4) Inability to compete against foreign competition in some markets.

(5) Shortages of workers' housing.

d) Cyclical Causes

At the Time of Currency Reform, the Interrelationships of Prices and Wages were Fairly Satisfactory.

As a cause of unemployment, the factor of overriding importance is the deflationary trend that has dominated the economy since December 1948. Immediately after currency reform, prices were fairly well adjusted to one another and the discrepancy between wage rates and prices was easily within the range of adjustment through the normal process of collective bargaining. Industry had gradually reached a more productive state through rubble clearance, rebuilding and reequipping. This was accomplished without the burden of contracting debts.

Basic Economic Difficulties Which Currency Reform Alone Could Not Correct.

Although the picture at the time of currency reform suddenly turned brighter, there were many very discouraging factors that currency reform alone could not eliminate. In many lines, industrial capacity was far too low to support the increased population. Vast savings and rebuilding were required in order to build up production and productivity to a point where the greatly increased population would have sufficient work places, adequate housing and a reasonable level of living. Many serious bottlenecks to production would have to be eliminated, the most serious of which were inadequate coal production, raw materials shortages, insufficient electrical generating capacity, and a desperate shortage of housing. The most crucial bottleneck of all was lack of capital funds. A vast export trade would have to be built up to pay for necessary imports. The pent up demand for almost every conceivable commodity fantastically exceeded any conceivable supply. These problems could only be solved by hard work and long-range planning.

Detrimental Business Practices and Theories.

On the other hand, there were a number of detrimental business practices and theories which were widely prevalent in the economic structure and which needed to be eliminated. The German business man's theory of pricing his products involved the adding up of all manner of costs, plus a profit, regardless of whether the market could stand such a price. Dislike of competition and the finding of ways to avoid it were too prevalent for an efficient low-cost output of goods. Restrictions on the right to enter business effectively prevented competitors from getting a start in business. Preference for a relatively small stable market rather than willingness to assume the risks and trouble of large output were characteristic attitudes, but were inappropriate to the problems of the day. All of these practices had become effective

The Tensions Arising From Too Rapid Freeing of the Economy had to be Liquidated. Unemployment and Production Losses and Hard Times have Resulted.

Shortly after currency reform on 20 June 1948, which had provided a solid foundation for economic progress, the policy of abolishing price and distribution controls in the presence of a huge pent-up demand, the availability of large funds particularly in the hands of the multitude of business men, and a relatively small industrial capacity, enabled prices of uncontrolled items to increase rapidly. Under this pressure, the prices of most goods which were still controlled were also increased. The fairly satisfactory relationships between prices of various kinds and between costs of living and wage rates were destroyed. The cost of living outran consumers incomes. Many businesses could no longer finance their operations in the face of higher prices and the inability of their customers to buy. There was an extreme shortage of capital funds and short-term credit. Long-term credit to finance building construction and to keep the investment goods industries in full operation was not available. The unequal increases in the prices of different kinds of commodities and services - raw materials, semi-finished goods, durable producers' and consumers' goods, agricultural products, wages and salaries - had, by December, created such tensions throughout the economy that a period of liquidation was required for their relief. Business men in all fields found it more and more difficult to sell their goods, orders were cancelled, goods were returned, bills could not be collected, credits could not be obtained, and some prices began to fall. Unemployment increased rapidly from 743,000 in December, to 938,000 in January; 1,132,000 in March; and 1,237,000 in June. At first it was mainly the small and medium sized plants, many of which were refugee establishments, which were forced to release their workers. More recently, many large well-established plants have also been forced to dismiss workers. Unemployment has spread from the consumers' goods to the producers' goods industries. The developments of the last six months clearly have the earmarks of a cyclical crisis.

In the meantime, absolute and per capita production relative to 1938 was lagging far behind the other European countries.

Index of Industrial Production in Various Countries

(1938 = 100)

	Last Quarter of 1948	Per capita index for January 1949
Bizonal Area	51	67
Greece	77	N.A.
Italy	87	84.8
Austria	74	99.7
France	108	114
Belgium	115	116
United Kingdom	121	119
Holland	112	122
Norway	118	125
Denmark	130	129
Poland	133	N.A.
Swedon	143	146

In the light of these data, the economic policies out of which the economic difficulties, the unemployment and the production losses of the Bizonal Area have grown, should be given critical attention.

Danger of Premature Stabilization at High Prices, Low Production and Unemployment.

A grave danger lies in the possibility that before these economic tensions are relieved and prices and wages return to the relatively satisfactory relationships existing at the time of currency reform, German business will undertake to stabilize itself at a level of high prices, low production but good profits, low wages, low standard of living and underemployment. The rapid growth of trade associations (currently reported to number over 2000) may become a useful device for achieving such an undesirable stabilization.

III. Suggested Corrective Measures

Since the current unemployment in the Bizonal Area is caused by many factors, numerous methods are required to combat it. Policy and procedure must also be adapted to overcome the even greater long-range problem of underemployment.

a) Extend Industrialization and Increase Industrial Efficiency.

The building of an economy in the Bizonal Area capable of maintaining itself without outside assistance and of employing its entire labor force, will require increased mechanization and rationalization and the increased use of improved processes and large-scale mass-production methods. Ways must be found to improve qualities and reduce unit costs of production in order that adequate export markets may be found. Much larger production of all kinds of goods, including low- and medium-priced consumers' goods, will be required to satisfy the pent up domestic demand without a recurrence of the inflationary price movements that accompanied the removal of price and distribution controls from July to December 1948.

To accomplish these aims, it will be necessary greatly to increase long-term financing out of domestic savings, supplemented, if possible, by imports of capital, and by the creation of enough funds through the banking structure or the public treasury to maintain full employment without riding price trends. A considerably larger proportion of ERP imports should consist of machinery and equipment. For this purpose larger profits must be provided to enable business men to finance these imports, and the economy must be maintained on a stable level so that business men will feel themselves justified in expanding their productive equipment.

The greatest stress should be given to expanding industries and parts of industries where bottlenecks prevent the increase of production. This will require a systematic examination of requirements, industry by industry.

b) Eradicate Detrimental Business Practices and Theories.

Dislike of competition; preference for controlled, stable markets rather than to assume the trouble and risks of expanding output; avoidance of competitively determined prices; use of the State to provide protection against foreign competition and to force open foreign markets; prevention of domestic competition by placing restrictions of various kinds on the right to start new businesses or expand old ones; and opposition to decartelization - these have been and are now prevalent German business attitudes. They are inappropriate to the needs of an expanding economy such as the Bizonal Area must have if it is to survive and support its people.

The strongest efforts must, therefore, be exerted through all available means to overcome these practices and theories. Available methods include keeping the doors open to newcomers in business; encouragement in the form of credits to new establishments; guarantee of supplies of raw materials, power and coal to all establishments; prevention of patent monopolies which restrict output of goods; break up of monopolistic and restrictive practices of all kinds, except, of course, "natural" monopolies which should in any case be carefully controlled; elimination of taxation features which encourage excessive costs and support the policy of determining prices by adding up costs, plus a profit; reduction of wholesale and retail markups and prohibition of the determination and enforcement of standard markups by business men; and control the operations of trade associations.

c) Improve the Tax Structure, Tax Collection and Cooperation Between Taxing and Spending Units.

1) Revise Tax Structure to Provide Incentive for Sound Cost and Price Practices and Efficiency in Industry.

German taxation methods have a close relation to harmful cost practices, productive inefficiency and inability of German business to compete in foreign markets. High tax rates are said to have encouraged business men to magnify their costs since this enabled them to avoid taxation and retain control over larger funds. High or prohibitive customs duties kept out competition by cheaper foreign goods. The granting of subsidies and preferential exchange rates openedup markets that would otherwise have been closed. These measures, plus manipulations by cartels and governmental restrictions on freedom to start new enterprises, made close cost calculations by German business firms unnecessary. The German system of letting public contracts permitted lax cost practices, The inflationary period from July to December 1948 permitted inefficiency to continue. The practice of determining prices by adding up all kinds of costs plus a profit was not disturbed.

These practices hamper German industry's ability to sell its goods and severely restrict employment. They result in inadequate accumulation of capital. Insufficient tax collections make the provision of additional productive workplaces more difficult. New tax legislation shou include provisions to eradicate these practices.

2) Stop Tax Evasion and Tax More Realistically.

The combination of taxes now in effect is said to make honest tax payment an impossibility. Evasion of business and income taxes, other than those on wages and salaries, is widespread.

This makes it difficult for the public treasury to operate effectively in maintaining full employment and breaking production bottlenecks, including that caused by inadequate housing. The business funds on which no taxes are paid remain outside the control of the banking structure and may be used in ways which accentuate economic instability. Diversion of funds from uses which would create additional workplaces accompanies tax evasion. Part of these funds is lost to the economy through capital flight. The whole problem is made more difficult by failure to settle the question of equalization of burdens. Accurate information by which to assess economic trends cannot be obtained so long as large scale tax evasion exists. The overall tax structure and tax administration should be carefully examined, and adequate measures should be taken to correct these difficulties.

3) Use Greater Efforts to Collect Income and Business Taxes Rather than Impose Additional Taxes on Luxuries.

A demand for luxury taxes has grown out of the uneven distribution of income and the lavish spending by the few amidst the poverty of the many. Luxury taxes would produce little revenue. If they reduce expenditures for luxury goods, the severe unemployment existing in certain areas would become worse. The efforts required to enforce luxury taxes would bring in more revenue if used to enforce income, turnover and other business taxes. These efforts would tend to keep luxury expenditures within bounds.

4. Correct the Inequalities Between Tax Revenues and Fiscal Burdens.

The maldistribution of population and unemployment among and within the Laender has placed unbearable burdens upon some areas while others have suffered but little. Fiscal cooperation is required not only to equalize the burdens of unemployment relief but also to provide industrial workplaces where needed.

d) Tighten Border Controls, Prevent Diversion of Intransit Shipments, Supervise Foreign Trade Contracts, Watch Foreign Currency Transactions and Invisible Trade Items, and Gain the Cooperation of the Other Powers in Enforcing These Measures.

Closely associated with the problem of public finances, where many economic and administrative loopholes exist, is the need to block the various other loopholes in the Bizonal economic and administrative structure. Many of these have arisen through the too rapid freeing of the economy.

Among the most serious loopholes are those connected with the gross failure to prevent the illegal movement of goods and funds across the bizonal borders. Persons close to this problem estimate the total loss to the economy through such operations as high as $700 million per year. The frightening total includes losses of public revenue, loss of foreign exchange, smuggling in of goods such as cigarettes, coffee, tea, cognac, and other commodities of little use to the economy and smuggling out of highly valuable production items such as antifriction bearings and optical and precision instruments. Even if the estimated losses are exaggerated, the current damage to the economy greatly increases the difficulty of maintaining employment and creating productive workplaces. Failure to control the borders makes more difficult the normal lawful interchange of goods with outside countries and greatly facilitatesdumping operations and the flight of capital.

Correction will depend upon greatly strengthening border controls; prevention of diversion of intransit shipments to the Bizonal consumer; closer supervision over foreign trade contracts, including the pricing provisions; closer watch over foreign currency transactions and invisible export and import dealings; and gaining the cooperation of the other Occupying Powers and the surrounding countries in combating the evil.

e) Policy regarding Credit and the Use of Public Funds.

(1) Avoid Credit Policy Which Would Delay a Return to Sound Interrelationships in the Price-Wage Structure.

Businessmen are clamoring for credit to tide them over the current deflationary period. If the discrepancies between wage rates and prices and between prices and raw materials, semi-finished and finished goods of all kinds had not become so great, the granting of credit to enable businessmen to liquidate their stocks gradually while price recovery was taking place might be justified. Also, if the manufacturing and distribution process had been efficient, with no excessive costs and profit margins to be squeezed out, credit might be justified, since price deflation might have been only a temporary matter. With price discrepancies so large and with prices reflecting uneconomic costs and markups, it would be unsound to try to hold them by the use of credit. The desirability of getting back to the approximate price balance and price-wage relationships that existed prior to the inflation is clear. It cannot come through an increase of production but is being forced by the intolerable nature of the discrepancies themselves.

Additional Public Economic Controls May Be Needed Later

After the current economic tensions have been liquidated and business activity again gets under way, it may be necessary to add to the controls now in operation in order to prevent a recurrence of the difficulties of the last six months.

2) Consider extension of consumer credit after price-wage equilibrium is reached

After prices and wages again reach an equilibrium, the current proposal to grant credit to enable consumers to buy furniture and other expensive durable consumers goods might be considered. To use this device now would tend to keep these prices at too high a level and would so overburden workers with principal and interest payments that many would lose both the furniture and the amounts already paid. Very large production at low prices is needed throughout these industries.

3) Create the Credit and Public Funds Required to Put the Unemployed Back to Work. Draining off of savings will not eliminate overall scarcity of purchasing power. Safeguards to prevent inflation are available.

In the preceding section the denial of credit for certain purposes has been advocated. On the other hand, a positive use of credit for certain other purposes is advisable. Some steps toward a broader credit policy have been taken, such as the lowering of minimum reserve requirements, lowering of the rediscount rate and permitting bank acceptances to be rediscounted, but unless other things are also done, these may help but little. As long as business prospects appear unfavorable, the usefulness of measures already taken will depend upon further measures which will decisively change the trend.

The steps already taken to provide long-term funds to the coal mines, railroads, electric generating plants and housing are definitely in the right direction. Besides putting people back to work, they represent an initial attack upon some of the major bottlenecks to further economic advance.

Since the problem is basically one of overall scarcity of purchasing power, it cannot be solved by the orthodox method of draining off savings, which merely transfers purchasing power from one group to another. The necessary additional funds to get everyone back on the job must be created. If properly allocated and controlled, such funds will create additional goods to match the funds released and create the means of repaying. Such funds should be tied to improved efficiency, rationalization and close cost calculations. Their use will result in the use of other sources of credit to finance production processes and the building up of necessary inventories. In such lending operations, new enterprises and refugee enterprises should be given particular attention.

If inflationary trends appear, the usual brakes that are available can be used to hold the economy at full employment without rising price trends. In addition to the usual brakes through the banking structure and the public treasury, the temporary accumulation of counterpart funds to enforce stabilization can be used.

f) Create Funds for an Adequate Building Construction Program Consisting of Workers' Housing and Provision of Industrial Work Places. Establish a Government & Construction Administration.

The shortage of housing is one of the chief bottlenecks to industrial production. Shortages of workplaces will become a major problem in the near future. It is little short of ridiculous to have these shortages and at the same time to have many thousands of unemployed building workers during the height of the building season, and with the building materials industries working at much less than full capacity.

A tough problem will arise from the fact that the Bizonal economy must greatly raise its level of production and its efficiency at the same time it is accumulating the capital to provide productive work places for a greatly increased population. To use so much labor with the existing equipment is technically impossible. To revert to a more primitive technology will not produce a viable economy. The standards of technical training should be raised, not lowered.

A partial solution would be the inauguration of a vast housing and industrial construction program using methods requiring fewer skilled workers. This would provide work and at the same time gradually provide housing and industrial work places where they are needed.

Private funds to finance workers' housing and industrial construction on the required scale and to broaden the industrial base in one-industry towns and in overpopulated areas, will not be available. Public funds must be found or created in order that progress may be made on these tasks and full employment maintained. Prompt action is required.

Short term credit at reasonable interest rates will be needed by building contractors who undertake these construction contracts.

A German government construction administration should be established to coordinate the various aspects of this construction program.

g) Specific Measures are Required to Eliminate Certain Specific Causes of Unemployment.

(1) Improve Flow of Raw Materials, Increase Power Supply, Eliminate Monopolistic and Restrictive Practices.

Shortages of coal and raw materials may point to basic overall shortages, lack of funds with which to purchase, or to accidental or intentional denial of supplies. Certain overall shortages such as those of coal and power can be relieved only by increasing production. Recently, funds have been allocated which should help solve this problem. Other overall shortages may result from insufficient imports. This may depend

upon amounts brought in under the ERP program, availability of credit with which businessmen may pay for ERP imports, or ultimately, on insufficiency of exports. They may also result from production bottlenecks in individual industries. Shortages in particular plants often result from insufficient financial strength and inability to qualify for credit under existing banking practices. This is often the case with refugee and other new establishments. The possibility of monopolistic controls and discrimination in distribution of materials should not be ruled out as a cause in view of past practices and the recent growth of trade associations. German agencies should inquire as to the specific reasons for failure to secure materials and supplies and devise corrective action.

(2) Facilitate Increases in the Tourist Trade.

Unemployment in the occupations serving tourists should be eliminated. Measures already being taken to facilitate the entry of tourists and their travel within the Bizonal Area will reduce this unemployment and provide much needed foreign exchange for use in paying for imports. Measures to get the economy on higher production and employment levels will also tend to reduce this unemployment.

(3) Provide for a Sound Forestry Program.

Many forestry workers are unemployed because of shortage of funds to grow and replant young trees, remove underbrush, care for forest roads, etc. This work is of particular importance in view of the rapid cutting of timber since the Occupation and the need to conserve the soil and water resources. Public budgets should provide for this work in public forests. Proper measures to protect private forest resources should be recommended by appropriate agencies.

(4) Eliminate Difficulties Which Prevent the Selling of German Products Abroad.

Difficulty of competing in foreign markets restricts employment. The fixed 30 cent mark is often said to be the cause. This factor should not, however, divert attention from production inefficiencies, problems of design and quality, fear and resentment toward Germany, and political difficulties such as have blocked markets in eastern Europe. Both the German government and the Occupying Powers should try to break down international difficulties standing in the way of acceptance of German goods and, so far as German practices are concerned, require that only those methods consistent with approved international trade practices be permitted. Solution of the smuggling and black market operations discussed under "d" above, will reduce the volume of dumping.

h) Broadened and Improved Vocational Guidance, Training of Workers, and Labor Placement.

Since German industry will have to be modernized, made more efficient, and placed to a far greater degree on a mass production basis, and since building construction must be cheapened and speeded-up in order to house the people and provide workplaces, the distribution and types of skills required in the economy will change substantially. Only by careful planning, vocational guidance, job training and labor placement

can workers be guided and shifted into these fields. Special efforts will be required to retrain and place large numbers of older and disabled workers.

i) Provide Workplaces Where Required for Sound Industrial Development and Make Possible Greater Freedom of Movement of Workers by Providing Housing Where Jobs Exist.

In the Bizonal Area, the free occupational and geographical movement of workers will not remove the discrepancies between the present numbers and locations of people and the available housing and workplaces. This is because the required population shifts are too large, the necessary workplaces do not even exist, the types of required employments do not correspond closely to the skills of the population, and the extreme housing shortages necessitate complete allocation of housing space so that free movement of people is impossible.

Solutions depend on construction of housing where it will best serve the needs of industrial development, gradual movement of workers nearer to their workplaces, construction of additional industrial workplaces in areas suffering from overpopulation and underemployment, and widening the industrial base in one-industry towns so that greater stability of employment will be possible. Further emigration of surplus population is desirable.

j) Establish a Special Expert Non-Partisan German Commission to Investigate Facts, Make Detailed Recommendations, and Make Public Both Facts and Recommendations.

Because of the importance of the problem of unemployment and underemployment, the complexity of causes and remedies, and the need of full public understanding of the issues, full information should be promptly assembled in order that corrective measures may be devised. The finding of solutions will be chiefly a German responsibility. Since the matter has become a question of political controversy, which is leading to no solution, the leading parties should lend their support to the appointment of an outstanding expert non-partisan commission to hold hearings, get expert testimony and papers from all groups, assemble facts, and make public a comprehensive report with detailed recommendations.

The frame of reference of such a commission would be the complete investigation of all aspects of the problem and the devising of ways and means for its solution within a generally free economy.

14 July 1949

EARL R. BECKNER
Economic Adviser
Manpower Division, OMGUS

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UNEMPLOYMENT AND UNDEREMPLOYMENT IN THE BIZONAL AREA OF GERMANY

I. Statement of the Problem

The Extent of Unemployment

Unemployment in the Bizonal Area has reached serious proportions. As of the end of June, 1,237,712 workers or about 9,3 percent of persons in the dependently employed group were unemployed. The number continues to increase, although this is the time of year when seasonal factors normally reduce the number of the unemployed. (See Tables 1 to 3). If only the normal seasonal factors had been operative since December 1948, the unemployed would number less than half the present total. In the accompanying table the period 1930-35 was used in calculating the normal seasonal fluctuations in unemployment (Stuttgarter Wirtschafts Zeitung, 15 June 1949).

	Seasonal index of unemployment	Actual unemployment end of month (000)	Unemployment if only seasonal factors were operative (000)
December	111.3	743	
January	120.9	938	814
February	118.0	1038	791
March	107.4	1132	707
April	100.3	1195	657
May	94.7	1216	621
June	92.0	1238	604
July	89.9		
August	89.0		
September	88.2		
October	91.0		
November	97.3		

Partial data indicate that workers officially reported on short time are roughly one-tenth as numerous as those wholly unemployed. These workers are chiefly in industrial employments.

Unemployment by Geographical Area

In certain areas, industries and occupations and for certain types of workers, the extent of unemployment is alarming, whereas in others the percentages remain relatively small. (Tables 4 and 5). At the end of June in Schleswig-Holstein, Niedersachsen and Bayern, which are largely agricultural areas, the over-all percentages of wholly unemployed persons were 22.6, 13.7, and 12.6, respectively. In Nordrhein-Westfalen and Wuerttemberg-Baden, which are highly industrialized, the percentages were 4.2 and 4.7, respectively. Although the percentage of unemployment is lower, there are more unemployed persons in Schleswig-Holstein, than there were in 1932 when Hitler was about to ride to power on promises to lead the people out of the economic morass existing at that time.

In local districts within these Laender the percentages varied widely. In an analysis of unemployment in labor office districts made

by the Manpower Group, Bipartite Control Office, as of the end of March 1949, six of the 9 labor office districts of Schleswig-Holstein showed unemployment of over 20 per cent, the highest being 27.8 per cent (See Table 6). The lowest was 14.7 per cent. In Bayern, in 8 out of 35 labor office districts unemployment exceeded 20 per cent, with a maximum of 28.4 per cent. The highly industrialized districts of Munich, Nuernberg and Augsburg each showed less than 10 per cent. In Hessen, the percentages ranged from 3.0 in the Wiesbaden district to 17.7 per cent in the Hersfeld district. One Kreis in the latter district had 32.7 per cent of unemployment. Using 25 May 1948 = 100, the unemployment index given in the table below for the labor office districts of Hessen, showed wide differences as of the end of May 1949.

Hersfeld	526	Limburg	338
Kassel	478	Fulda	329
Darmstadt	416	Average	257
Dillenburg	394	Korbach	222
Marburg	388	Wetzlar	161
Offenbach	384	Gross Gerau	156
Giessen	347	Frankfurt	97
Hanau	346	Wiesbaden	90

In Wuerttemberg-Baden, only one district had unemployment in excess of 10 per cent at the end of March.

In all Laender the number of unemployed at the end of June was greater than at the end of May. Since the end of March, the increase was about 60 per cent greater in Nordrhein-Westfalen than in any other Land. This is particularly significant since the investment goods industries are affected.

Unemployment by Industry and Occupation

As in the geographical analysis, an analysis by industries and occupations indicates a spotty situation with some industries and occupations already seriously affected but with unemployment spreading to others.

Most industries and occupations have shown continuous increases in unemployment since December 1948. (See Table 1). A few, however, after reaching a peak in March, have shown some seasonal decline. These are agriculture in which the unemployed declined from 85,000 to 77,000 from the end of March to the end of May. In the building materials industries the decline was from 16,000 to 14,500, exclusive of unskilled and white collared workers. In building construction the decline was from 112,000 to 74,000, also excluding unskilled and white collared workers. In mining, where unemployment has remained low, the decline was from 6,300 to 6,100. All other industries have shown increases during every month from December 1948 to the end of May, with the exception of forestry which declined slightly from March to April, but increased to an even higher level in May. The data which follow include only unemployed skilled and semi-skilled workers. In metal and related occupations the increase was from 61,800 in March to 141,000 in May. In textiles from 12,600 to 24,200. In wood working, from 14,300 to 44,100. In food processing and tobacco from 24,000 to 42,100. In clothing from 19,800 to 49,000. In transport and communi-

ations from 53,600 to 91,000.

Among the various occupational groups other then the skilled and semi-skilled included in the above data, the white-collared workers with 202,600 unemployed were the most numerous. Unskilled workers follow with 166,300. The domestic workers group had 55,500 unemployed; hotel and restaurant workers 28,400; engineers and technicians, 29,300; and other salaried and professional, 47,400.

Sex Distribution of the Unemployed

From the end of June 1948 to the end of June 1949, the number of unemployed male workers increased from 330,900 to 894,279, or by 170 per cent, while unemployed female workers increased from 110,600 to 343,433, or 211 per cent. (See Tables 2 and 3). The division of the total unemployed between the sexes varied only slightly month by month during the whole period. Approximately 72 per cent were males and 28 per cent were females. This is almost identical with the sex distribution of total employed wage and salary earners.

On the other hand, there have been substantial shifts in employment and unemployment by sex in the various occupational classifications. (See Table 9). Of the 28 major occupational groups, 15 showed declining employment of male workers from December 1948 to March 1949. The decreases were large among white collared workers (82,900), construction workers (56,800), agricultural workers (39,700), and the unskilled (71,600). Increases in the remaining occupations were small, the largest being transportation and communications (21,200), and other professional and salaried occupations (22,600). During the same period, all occupational groups except "Theatre, stage hands", showed increases in unemployed male workers, the largest being construction workers (71,900), metal workers (46,800), transport and communications (23,900), commercial and administrative (17,100), and unskilled (43,000).

Comparison of the relative decreases in employment with the increases in unemployment in the different occupational groups indicates that many male workers are attempting to change their occupations. In the agricultural, unskilled, and the commercial and administrative groups there were large decreases in the number of employed men in comparison with the increases in the number of the unemployed. On the other hand, some groups showed much larger increases in the unemployed than decreases in the employed. These were metal and related trades, woodworking and related trades and construction and related trades. Although employment increased substantially in transport and communications, unemployment increased even more, which indicates that many workers from other occupations where employment is decreasing, are registering for work in these fields. Particularly the shift of workers from agricultural employments would seem to be a long range structural change in view of the known effort of the excess population to leave the farms. It is influenced also by the desire of many workers, who were not formerly agricultural workers, to seek employment at their former occupations. Seasonal influences probably played a minor part in this shift since the normal winter seasonal decline would have been counteracted by the upturn in March.

Among female workers, only nine of the 28 occupational groups showed increases in employment, the largest being other salaried and

professional (12,400). Of those showing decreases, agriculture was the largest group (17,000). Commercial and administrative (6,900) and the unskilled (6,500) followed. All groups, except two that are very small, showed increases in unemployment, the largest being domestic servants (10,800), and commercial and administrative (10,300), clothing and shoes (7,900), and textiles (6,700).

As in the case of male workers, some attempts by female workers to shift their occupations are evident. Agriculture showed a much larger decrease in employment then increase in unemployment. Textiles showed an increase in employment but an even greater increase in unemployment. Clothing and shoes showed a slight decline in employment but a substantial increase in unemployment. Domestic workers, unskilled workers and commercial and administrative occupations showed considerably larger increases in unemployment than decreases in employment. This may indicate both a shift in occupations and increased numbers entering the labor market.

A careful study of the tables also indicates that a shift toward the employment of women in preference to men, may be occurring. This seems to be the case, for example, in metal working, food processing, clothing, commercial and administrative, the unskilled, and in one or more branches of the group entitled "quarry, stone, ceramics and glass". On the other hand, in chemicals and transport and communications, men seem to have been favored.

The increases in unemployment of both males and females in nearly all occupational groups up to the end of May reflect not only the general decline in economic activity and the inability of employers to provide employment, but also the continual increases in the total labor force caused by accessions to the population, the return of war prisoners, the registration of young people for their first jobs, and the attempts by persons not recently employed to find jobs in order to maintain family living standards during the deflationary period.

Unemployment of Refugees

The percentage of refugees who are unemployed is very high in comparison with the indigenous workers. (See Table 13). As of the end of April, refugees in the Bizonal Area constituted 17.1 per cent of the population, but were 36.3 per cent of the unemployed. Only in Hamburg were they a smaller percentage of the unemployed than they were of the population. In Bremen, the other port city, refugees were 6.3 per cent of the unemployed but 5.3 per cent of the population. In the other Laender the situation was much worse. In Schleswig-Holstein, they constituted 57.2 per cent of the unemployed but only 38.2 per cent of the population. In Bayern the percentages were 41.3 and 20.6, respectively.

Unemployment in Relation to Job Vacancies

The progressive worsening of the employment situation is also shown by the decreasing number of unfilled job vacancies, the increasing percentages of registered vacancies filled from month to month, the increasing numbers of unemployed per unfilled vacancy, and the declining percentages unfilled vacancies were of employed wage and salary earners. (See Table 10).

The period preceding currency reform was characterized by a strong demand for labor relative to the supply. This was reflected in the high figure for unfilled vacancies at the end of June 1948. The sudden drop in unfilled vacancies beginning with July reflects the tightening up of the economic structure which accompanied currency reform. After a small increase in unfilled vacancies up to October 1948, the succeeding rapid decline has reduced the number by one-half. The Hessen Landesarbeitsamt stated that the job vacancies reported at the end of May were merely cases in which workers were changing jobs. They did not represent additional employment opportunities. This was probably characteristic of the overall picture. The columns giving the percentages of vacancies filled during the month reflect a fairly stable situation from July 1948 to January 1949, when increased unemployment coupled with reductions in number of vacancies, enabled the percentages of filled vacancies to increase by May to the high figure of 79.5 for males, 71.1 for females, and 76.4 for total of males and females. On the other hand, after the period of excess of vacancies over the registered unemployed which lasted for a full year prior to currency reform, the number of unemployed persons per unfilled vacancy increased very rapidly, after a five-month period of relative stability, until May 1949 when there were 11.78 unemployed males, 5.65 females, and 9.04 total for each unfilled vacancy.

The magnitude of the unemployment problem and the different character it exhibits in the various Laender can be clearly seen by reference to Tables 11 and 12, which show the number of registered unemployed in comparison with the number of job openings for certain major occupational groups. For male skilled and semi-skilled metal workers, the number of unemployed per job vacancy was 3.9 in Nordrhein-Westfalen, but 246.8 in Schleswig-Holstein and 32.4 in Bayern. For skilled and semi-skilled building workers, the numbers were 1.4 in Nordrhein-Westfalen, 179.5 in Schleswig-Holstein, and 18.8 in Bayern. For male commercial and administrative workers, the numbers were 17.5 in Nordrhein-Westfalen, 275.5 in Schleswig-Holstein, and 134.3 in Bayern. For agricultural workers, the numbers were 0.4 in Nordrhein-Westfalen, 21.3 in Schleswig-Holstein, and 1.2 in Bayern. There were also fewer unemployed male agricultural workers than job vacancies in Wuerttemberg-Baden. As pointed out elsewhere, the relative shortage of agricultural workers reflects the lower pay, long hours, bad treatment, wear and tear on clothing, and generally poor working conditions in farm employments. Similar extreme variations in the number of unemployed female workers per job vacancy exist in the various Laender and occupational groups.

These data indicate clearly that the unemployment problem varies greatly in its severity from Land to Land and from occupation to occupation. Obviously it cannot be solved by better job placement in instances in which the number of unemployed per job opening is high. The data point to the need of wholesale movement of workers out of the areas or occupations where the surpluses are greatest, coupled with a great increase in number of available jobs through improvement in current economic conditions and through creation of new industries and new work places. The need of retraining of workers on a large scale is also indicated by the data.

Duration of Unemployment

Available data on the periods during which individual workers have been unemployed indicate further the seriousness of the problem and the variations as between occupations and Laender. (See Table 14 and 15). Since the latest available data are for the end of March 1949, only three months after the deflationary forces gained the upper hand and caused rapid increases in unemployment, the periods shown are shorter than would be shown by later figures. Unemployment has steadily increased since the end of March. Difficulties of job placement have increased and additional plants have gone on short time or ceased operations. By the end of March, about twice as many male workers in the Bizonal Area had been unemployed over six months as had been unemployed 14 days or less. In individual Laender the differences are great. The agricultural Laender, with their large refugee populations, have much higher percentages of both males and females unemployed for long periods than the industrialized Laender and the ports of Hamburg and Bremen. The higher percentages of the unemployed in the industrialized Laender that were out of work for the shorter periods, reflect in part the greater ease of placement in these Laender; but in view of mounting unemployment totals, they suggest the beginnings of longer periods of unemployment for industrial workers. Thus, in Nordrhein-Westfalen and Wuerttemberg-Baden the proportions unemployed up to 14 days, and from 14 days to three months; were much higher than in the other Laender. Since the end of March, unemployment has steadily increased in both of these Laender.

Data on the duration of unemployment by occupational groups as of the end of March 1949 (Table 15), indicate in general longer periods of unemployment in the less essential consumer goods and service industries, where the population is likely first of all to reduce its spending in periods of hard times, than in the investment and durable goods industries and those producing essential consumers goods which the population badly needs. Thus, the duration of unemployment was greater among barbers, hotel and restaurant workers, printing and related occupations, musical instruments and toys, than it was among wood workers, clothing and shoe workers, chemical workers, and metal workers.

Unemployment in Relation to New Workers Entering the Labor Market

These unemployment figures cannot be explained away by stating that they mainly represent new persons coming into the labor market. The total number of employed persons in the Bizonal Area actually decreased by 255,318 during the period from the end of December 1948 to the end of June 1949, while persons registered as unemployed increased by 494,824 during the same period.

A BICO Manpower Group study of causes of increased unemployment in the depressed area labor offices (those with at least 10 per cent unemployment) from June 1948 to the end of March 1949, shows that in Niedersachsen 85.5 per cent of the increase of unemployment was due to dismissals or decreases in employment. (See Table 16). In Schleswig-Holstein the percentage was 83.7; in Bayern, it was 83.8; while in Hessen it was 50.1. There has been a tendency toward migration away from these depressed areas, which has meant some decline in the labor force. If this migration had not taken place, the percentage of increased unemployment due to increases in the labor force would doubtless have been

g[illegible]ter. In the one depressed area labor office district of Wuerttemberg-Baden (the Mosbach district), the increase in unemployment was 2,610, the decrease in employment was 4,360, which represents a decrease in labor force of 1,750. These people may simply have gone out of the labor force, which is unlikely in view of the hard times, or they may have moved to other districts where employment opportunities were more favorable. In Hessen, for example, flight from the land has been striking. Using 1938 = 100, the index of farm population in the district of Gross Gerau reached 574.5 at the end of September 1946, but gradually declined to 242.4 at the end of March 1949. The Wetzlar district had an index of 467.8 at the beginning of May 1946 but declined to 185.6 by the end of March 1949. For Hessen as a whole the index was 242.5 at the end of September 1946, but went down to 156.2 at the end of March 1949. These people were leaving employment which had meant in large part only food during the time of semi-starvation. They had to have money which to replace clothing, household articles and other things which they had lost in their flight from the east.

Further evidence that current unemployment is not merely a result of additional persons coming into the labor market is obtained from Laender reports which show large increases in the number of plants and workers which have been forced to go on short hours. Many of these workers would have been dismissed instead of being placed on short time if the labor offices had not insisted upon the latter course.

The Costs of Unemployment

From the monetary and production standpoints, the costs connected with 1,200,000 fully unemployed persons are stupendous. One careful estimate, arrived at after subtracting 2½ percent of the dependently employed labor force as an estimated irreducible minimum of unemployed persons, indicates monetary and production losses as follows, calculated as a yearly rate:

Direct wage loss	DM 2.35 billions
Reduction of social insurance contributions, loss of wage and turnover taxes	.65
Unemployment benefits and relief	1.00
Direct loss in production	5.70
Total for fully unemployed persons	DM 9.70 billions

If to this figure one adds an amount for workers on short hours, the total loss would exceed an annual rate of DM 10 billions. Even though the estimated direct loss in production is roughly DM 6 billions, a full measure of the monetary loss is not obtainable without consideration of wage losses and the losses in public revenue and extra public expenditures arising from unemployment. Even with the inclusion of these figures, a full appreciation of the losses connected with unemployment of this magnitude is not gained because of the extensive indirect losses involved.

It is obvious how serious this loss is with respect to the ability of the bizonal economy to support its people; provide savings to equip industry, mines, railroads, and to build houses; contribute to European

economic recovery and political stability; and reduce the burdens on the U. S. taxpayer. The existence of unemployment above the absolutely irreducible minimum is not to be defended on any score.

It is also not necessary to write at length of the other benefits that would accrue to the population if this unemployment were eradicated. Employed people tend to be happy people. Being freed from this worry, they could be relied upon to remain politically stable and peaceful. They could devote time, money and intelligence to improvements in education, culture and social well-being, since they would have hope and confidence in the future.

Problem of Additional Work Places Required for the Increasing Labor Force

The problem in the Bizonal Area is, however, not merely one of getting the unemployed back at some kind of work. It is a bigger and more complicated problem than that.

First of all, it is a question of finding workplaces for a far larger number of people than worked in the Bizonal Area in 1936. The population is larger by about 8.5 millions than it was in 1936. The sex and age composition is less favorable for the prevalent types of industries and work processes. The proportion of skilled workers has changed.

It should be pointed out also that the labor force is now a much smaller percentage of the total population then it was before the war. Part of the explanation for the lower percentage lies in the sex and age composition of the present population. The relative percentages appear in the accompanying table.

Estimated Labor Force as Proportion of Population
of Bizonal Area
(Persons in thousands)

Date	Males		Females		Total	Percent.
	Number of persons	Percentage of male population	No. of persons	Percent. of female pop.	No. of persons	of total population
1933 June	10390	65.6	5503	33.2	15893	49.1
1939 May	11331	67.7	6110	35.2	17441	51.2
1947 September	11269	60.6	6120	27.9	17389	42.9
1948 September	11973	62.7	6241	28.2	18214	44.1
1948 December	12071	62.6	6333	28.4	18404	44.3
1949 March	12148		6393		18541	

Data are not available for making more than a rough estimate of the additional workplaces, chiefly in industry and handicrafts, commerce and transport, and public and private services, that must be found for the enlarged population. Using data for 1939 and December 1948, the analysis gives the following results:

Total wage and salary earners employed in 1939	11,568,000
Subtract professional soldiers	170,000
Net employed wage and salary earners	11,398,000
Subtract agricultural and forestry employees	801,000
Net employed in industry and handicrafts, commerce and transport, public and private services and for whom work places were available	10,597,000

The 535,000 conscripts in the armed forces and labor service are excluded, since their work probably did not involve industrial, handicraft, transport and other similar workplaces which would normally be continuously maintained by the economy. For the same reason, the 200,000 voluntary foreign workers (other than seasonal migrants) who were in the Reich in 1939 are excluded.

Total wage and salary earners employed in December 1948, which represents the peak of gainfully occupied persons	12,374,000
Subtract persons employed by the Occupying Forces	521,500
Net employed	11,852,500
Subtract agricultural and forestry employees	1,212,000
Net employed in industry and handicrafts, commerce and transport, public and private services	10,640,500

This is very close to the number employed in these occupations in 1939. In order to estimate the total number of work places available on 31 December 1948, the unfilled registered job vacancies in these occupations, totaling 169,000, should be added. This gives a grand total of 10,809,500 available work places.

In the Bizonal Area, however, many more work places than this number must be found or created, in occupations other than agriculture and forestry, because of various factors which will increase the size of the working force. The following calculation will indicate the rough magnitude of these factors. The method used is perhaps over-refined in view of numerous imponderables, but it should be useful, particularly since the estimate may represent an understatement of the actual number.

Estimated population of the Bizonal Area on 31 December 1948, excluding Displaced Persons in camps	41,550,600
Assuming that 50 per cent of this population will be gainfully occupied (the percentage was 49.1 in 1933 and 51.2 in 1939), the number would be	20,775,300

Subtract self-employed and family helpers (assuming no change from the 31 December 1948 figure. The number decreased from 5,308,000 to 5,287,000 from 1939 to 31 December 1948)	- 5,287,000
Net wage and salary earners available for employment	15,488,300
Subtract assumed wage and salary earners in agriculture and forestry (the same number as in 1939)	- 801,000
Net wage and salary earners available for employment in other than agricultural and forestry employments	14,687,300
Existing workplaces, other than in agriculture and forestry, as of 31 December 1948	- 10.809.500
Total actual and potential German wage and salary earners for employment in occupations other than agriculture and forestry, and for whom workplaces should be made available	3,877,800
To this number should be added: Prisoners of war expected to return (by 1 January 1951)	+ 330,000
Displaced Persons who will be required to find work places in the Bizonal economy, estimated	57.500
Additional workplaces required, other than in agriculture and forestry, assuming full employment	4,265.300
Deduction for estimated 2½ per cent for irreducible minimum of unemployment (.025 of 15,074,800)	- 376,870
Total additional work places required, other than in agriculture and forestry after allowing for minimum unemployment	3,888,430

It should be noted that this method of calculation makes allowance for the employment in other occupations of the current excess of 411,000 wage and salary earners in agriculture and forestry over the number employed in 1939. It also allows for the reemployment in German work places of the unemployed and the persons working for the Occupying Forces on 31 December 1948. The respective numbers were 743,000 and 521,500.

The figure of 3,888,000 work places, finally derived, would mean an increase of about 36 per cent over the number available on 31 December 1948 in industry and handicrafts, commerce and transportation, and public and private services.

Even allowing for a wide margin of error in these estimates, the magnitude of the problem of providing work places for these persons is apparent. As huge as this problem is, however, other factors must also be considered: In the first place, no allowance has been made for the

growth of population. As of 1 January 1949 the Bizonal population is estimated at 41.6 millions, whereas on 1 January 1953 it is expected to be 44.1 millions. Moreover, no allowance has been made for the loss of industrial work places resulting from war damage and dismantling. These work shops must be rebuilt, extended and modified to accommodate this enlarged and substantially changed labor force for production of a wholly peaceful character. Extensive shifts in residence and types of skill must be made to provide productive employment, particularly of the refugees and evacuees. Employment in commerce, banking, transportation and public and private services might well decrease. Moreover, since the greatly increased population will require a much larger production of goods and services for direct use and for export in order to acquire food and raw materials, the additional work places should be provided mainly in industry. In making the estimate, no allowance was made for using existing equipment on a two or three shift basis. Technical difficulties, the age of much of the equipment and the absence of housing to take care of additional workers in the neighborhood of the specific plants, reduce the possibilities of this approach. Moreover, markets must be found to take the place of those lost in the eastern and southeastern parts of Europe through long-range Soviet political aims. These new markets will be particularly hard to attain because they will be chiefly in areas competitive with the exportable German products. In order that industry may become efficient enough to compete in these foreign markets, it must be put on a mass production basis, using large amounts of capital per worker. Great amounts of capital must therefore be found with which to purchase modern machinery and construct additional factory buildings. If this is not done the bizonal economy probably cannot support its population at a level sufficiently high to maintain political stability. No attempt will be made to estimate the capital expenditures required for this purpose. It would, however, undoubtedly amount to some billions of dollars. If one adds to this amount the estimated capital requirements for construction of needed dwellings (5,000,000 during the next 20 years at an estimated construction cost of DM 15,000 each, or a total of DM 75 billions; that is, DM 3.75 billions per year), the magnitude of the total task is readily seen to be stupendous.

To permit the Bizonal Area such an extensive industrial development as this may be honestly opposed by many people because of its alleged threat to world peace. This is an untenable position. The danger to world peace will be far greater if large numbers of Germans are unemployed, if their standard of living is low, and they see no hope for the future. Instead of following the ideals of democracy, they will be ready to turn to dictatorship. Our own solution is not to fear or obstruct the growth of large scale peaceful industry, but to develop further and carry to completion the current constructive reorientation program as a complement to it. Industrialization and reorientation are equally important foundations of peace.

The German group which prepared the ERP estimates for employment under the Bizonal program, estimated that unemployment on 1 January 1953 would amount to 1,960,000. The assumptions underlying this estimate differ from those in the above calculation chiefly in that the period under consideration is shorter, which requires that less consideration be given to long-range structural changes.

Broad Question of Selection of Methods of Putting the Unemployed Back to Work

Secondly, the task of providing work places for these additional persons is a bigger and more complicated problem than merely getting people back to work at highly productive employment because the job must be done by use of the methods of a free democratic society devoted to peaceful ends. There is little doubt that an authoritarian regime could quickly put the currently unemployed people back to work and make rapid strides toward the employment of the additional persons who are not now but would normally be employed; but the methods which must be followed by a free peaceful society in Germany require patience, understanding, responsibility, willingness to submerge political and temporary economic advantage to the common good, and working with and dependence upon former enemies. All of these are required because the process will be exceedingly difficult and will be one of continued readjustment.

A Grave Danger Inherent in the Current Situation

One grave danger is that before a comprehensive attack on the unemployment and underemployment situation can be worked out by the Germans and agreed upon, German industry will have stabilized itself at production and price-wage levels which will supply most types of goods only to a restricted high income element of the population, while the masses of the population secure only a minimum of existence standard of living, with many workers unemployed and a small group receiving fairly full employment. Under these conditions, prices would remain too high for the masses to pay, but business would adjust itself to small output at high prices and good profits. Such an adjustment would be relatively easy for German industry to make. It would be consistent with cartel practices, German methods of price determination and limitation of competition, and the inertia individuals often feel in the face of stupendous tasks. The 2,000 or more trade associations recently formed may become useful agencies for effecting this solution. Such an adjustment would, however, be extremely dangerous from almost every angle. A low standard of living, recurrent unemployment and no hope of improvement for the masses would be a rich breeding ground for unrest which would quickly destroy the thin veneer of democracy which now overlays some parts of German society.

II. Causes of Current Unemployment in the Bizonal Area

A careful study of detailed reports giving on-the-spot accounts of dismissals of workers indicates, as one would expect, a great variety of causes of the current unemployment. They fall mainly in the general category of cyclical causes. Some, however, indicate seasonal causes, while others indicate broad structural factors operating in the economy. A miscellaneous group is based upon frictional or accidental factors affecting the economy. In the analysis and interpretation which follows, the various causes will be grouped under these four categories: Seasonal, Structural, Miscellaneous and Cyclical Causes. Such a classification, though useful, in fact oversimplifies the problem, since a number of factors may be operating simultaneously in given cases.

A. Seasonal Causes

The winter of 1948-49 being short and for the most part relatively mild, caused less than the usual reduction in outside employment. It was a favorable factor toward the maintenance of employment in the inflationary period to the end of December. Likewise the early spring had a favorable influence by enabling outside work to get under way, thus slowing down the momentum of deflationary forces since the turn of the year. On the other hand, the lack of rainfall in the latter part of 1948, caused a decline in the generation of electric power in south Germany. It severely hampered production and employment and placed a heavier drain on the coal and electric power resources of the rest of the Bizonal Area.

The usual post-Christmas decline in sales and employment was augmented by the great discrepancy between workers' incomes and prices and, as a seasonal factor, hastened the ascendancy of deflationary forces. Among the industries badly affected by the combination of seasonal and cyclical influences are musical instruments and toys, ornamental jewelry and furs. The percentage of musical instrument and toy makers who were unemployed increased from 8.5 at the end of December 1948, to 21.5 at the end of February 1949.

B. Structural Causes

Under this heading may be grouped some of the results of the war and other long range factors.

Maldistribution of Refugees and Evacuees

From the standpoint of work opportunities, the influx of refugees and the maldistribution of refugees and evacuees is a major factor here. The problem arises from a number of causes. The indigenous population already had the available jobs when the refugees began to arrive and there were few open work places for the newcomers. The refugees were at a disadvantage in competition for jobs even with the evacuees from the bombed cities. These people were indigenous Germans and, being first on the scene under wartime stress, got whatever jobs were to be had. The refugees were, moreover, very numerous and had to settle for the most part on the land where there were few jobs except farm work. Farm employment was only a stop-gap for non-farm refugees. Before currency reform, when insufficient food was being brought in from abroad adequately

to support the population, work on the farm meant food for the family. Since food was the paramount necessity, refugee families had to be content for the time being with the impossibility of acquiring clothing and household utensils and equipment which all of them desperately needed. After sufficient food was being brought in, and basic necessities that cost money had to be acquired by these millions of people, they endeavored to find jobs that paid better money wages. The skills and trades of the refugees were, however, often ill-adapted to such types of work as were available. Refugee workers lacked bicycles to get to places of possible employment. Work clothing was also lacking. There was little or no housing available to enable them to move where suitable jobs could be found. Many of the new businesses which refugees set up were insufficiently equipped with capital, machines, raw materials and business connections to enable them to survive during the deflationary period beginning in December 1948. The types of products which these refugee businesses manufactured and sold were often not of the type people could afford to buy during the hard times of recent months. The combined result of these factors is an unemployment problem of serious proportions. It can be solved only by the use of a number of large scale programs which must be started as soon as possible but which will take a long time to complete.

Returning Prisoners of War, Displaced Persons, and Additional Refugees

The return of war prisoners and the anticipated closing of the displaced persons camps will result in perhaps 400,000 additional persons being thrown on the labor market. There is also a continual influx of persons entering the Bizonal Area from the countries to the east and from the Soviet Zone of Germany. The finding of productive employment for many of these persons will be very difficult.

Flight from the Land - Unemployment of Agricultural Workers

Related in part to the question of refugees is the damming up of the long term movement of population from the rural areas to the medium and large cities. In relation to employment opportunities, the rural areas and small towns are considerably overpopulated. The lack of employment opportunities to accommodate this maldistribution of the working population has resulted in unemployment which will require continuing structural changes in the economy to eliminate. As of the end of May, 76,967 agricultural workers were unemployed.

Accompanying this unemployment there are many unfilled job openings in agriculture. For 57,703 unemployed male farm workers at the end of March, there were 35,643 openings; for 17,218 unemployed female farm workers there were 23,650 openings. Farmers are complaining about lack of help. Many workers desire very much to leave farming for better opportunities in other employment. Many are refugees whose background was industrial employment. There is a general complaint, however, that farmers pay too low wages to support a family, that the wear and tear on clothing is too great. Treatment is bad and hours of work are long. Workers no longer have to beg the farmers for work in order to get food for themselves and their families. Even the denial of unemployment benefits has failed to compel workers to take farm employment. The long range pressure to leave the land is again active. Earnings per worker will remain low until the excess agricultural population declines and improved efficiency increases the output per worker. Much the same forces

are active in the field of hotel and household employment. Throughout Bavaria, for example, there is an unwillingness to take these jobs because of lack of clothing, long hours and insufficient pay.

White Collared Workers

A serious long-range unemployment situation has arisen with respect to commercial and administrative white collar workers, of whom 202,649 or 7.8 per cent were unemployed, and in transport and communications, of whom 90,956 or 8.5 per cent were unemployed. Many persons attached to the independent professions have been thrown out of work by the unfavorable economic situation. Part of this unemployment probably reflects long-range structural changes although most of it results from the current cyclical difficulties. These unemployed include such persons as administrators, mechanical engineers, educators, physicians, architects, civil engineers, and gardeners.

Reduction in Number of Germans Employed by the Occupying Forces

Dismissals of Germans by the Occupation Forces between the end of December 1948 and the end of March 1949, numbered 22,499 or 4.9 per cent. This represents a continuation of the decline from the peak of December 1947, when 605.5 thousand were employed. The total decline from this figure was about 18 per cent as of the end of March 1949.

Unemployment Caused by Plant Rationalization

Reports from various localities indicate that workers are being dismissed as a result of the introduction of better equipment and other rationalization measures. A Darmstadt report states that two firms in the rubber and asbestos group have released workers in part for this reason. Bavaria reports that the mechanization of handicraft weaving plants is causing unemployment among women weavers. Some of the rapid increase in unemployed metal workers in Nordrhein-Westfalen is attributed to plant rationalization.

On the other hand many plants are unable to compete because of poor equipment and low efficiency. In the Kaufbeuren area in Bavaria, 430 men and 694 women from the glass industry were reported in March to be out of work. These workers were largely from refugee plants which cannot meet competition because of poor plant and material equipment. A brown coal mine in Hessen (Hofheim-Marxheim) gave dismissal notices to part of its workers in March and feared a complete shut-down if it continued to be unable to secure funds to buy a brikett-making machine which it believed would make its operations profitable. This mine closed down completely in April.

These examples are but a few of the many thousands that could be found in which new equipment is required in order to improve efficiency and lower production costs. There is no unemployment crisis, although there is some unemployment, caused by the introduction of new machinery and rationalization. There is, on the other hand, a great deal of unemployment because of inability of firms to compete. A long-range problem of unemployment will, therefore, remain while the necessary re-equipping and rationalizing of industrial plants is in process.

All of these downward trends of employment represent long-term adjustments which will continue to be made particularly if the tight economic situation enforces greater efficiency and closer cost calculations in the various fields of trade, transport, communications and industry. Further reductions in the number of Germans employed by the Occupation Forces are to be anticipated. Other branches of the economy or larger scale operations in these industries will have to absorb such unemployment as arises from these structural changes.

C. Miscellaneous Causes

Shortages of Raw Materials, Power and Service Items

The reports indicate that in specific areas and industries, workers have had to be dismissed or put on part-time work because of shortages of raw materials, power and service items essential to plant operations.

Throughout the textile area of Bavaria, for example, shortage of yarn has been causing dismissals, short-time work or preventing the employment

of additional people. One Bavarian textile plant was forced to release 30 workers in part because of shortage of linen yarn which they attributed to the reduction in acreages devoted to flax growing in Western Germany. Reports from Hessen indicate that part of the difficulty faced by clothing manufacturers is caused by shortage of materials, chiefly textiles.

Other industries and plants are affected by the same general problem. Shortage of coal caused 30 dismissals in a "stones and earths" plant near Hof. A refugee ceramics firm near Darmstadt, after a long shut-down because of lack of coal, has closed permanently with the exhaustion of its financial resources. From Hanau comes a report that the entire diamond cutting industry will have to close down because the industry is getting insufficient raw materials. This involves industrial diamonds as well as ornamental jewelry. Foreign competitors are said to be implicated in that they are trying by official complaints to eliminate competition by the German diamond cutting industry on the alleged ground that the German industry gets its raw materials by smuggling and pays too low wages. Wetzlar reports that one furniture, one textile and one wire drawing firm are on short-time because of lack of materials. In the Wetzlar metal working industry, small and medium plants have been forced to close their doors or work short time partly because of shortages of materials. A paper working plant has released workers for the same reason.

Breakdown of Trade with the Soviet Zone and Effects of the Berlin Blockade

The breakdown of trade with the Soviet Zone and problems related to the Berlin blockade are causing unemployment. For example, Niedersachsen, with its long boundary on the Soviet Zone, has long had close economic ties to the eastern Laender and to Berlin. The political crisis has increased the difficulties in disposing of agricultural and manufactured products and in securing needed goods from the east. The same effects are felt in various degrees throughout the Bizonal Area. The Siemens company in Erlangen, Bavaria, is reported to have dismissed 222 workers because it was no longer able to sell goods in the Soviet Zone. The stoppage of contracts for the manufacture of potato flour for transport to Berlin via the air lift is said to have resulted in dismissal of workers in the Darmstadt area. The cutting off of electric power exports to Bavaria had an unfavorable influence on employment.

On the other hand, the reduction in deliveries of coal, steel, machinery and other equipment to the Soviet Zone and to Berlin, made much larger quantities available for industrial recovery in the Bizonal Area.

Unemployment in Relation to Certain Governmental Policies

In some lines, Military Government policies have resulted in unemployment. For example, the declaration that German restaurants and hotels are "off limits" to occupation personnel has seriously reduced patronage. Increased liquor taxes are said to have the same effect. In luxury and semi-luxury goods, great unemployment has resulted for a number of reasons. It is due in part to the fact that exports are hampered by the dollar clause. Many countries are said to forbid import of these goods in order to save dollars. French and Italian competition is gaining ground in markets the German industry formerly had, since their

currencies can be used in effecting payment. Fears are expressed in towns already hard hit by unemployment, such as Pforzheim, that the passage of the proposed luxury tax will be ruinous. A watch case manufacturer in Bavaria reports unemployment because he can no longer sell his product to French Zone watch manufacturing firms which had been good customers for many years. The economics minister of Land Suedbaden has reported that his Land has lost 70 per cent of its watch making capacity through dismantling. (Frankfurter Rundschau, 29 April 1949).

Unemployment in Relation to Housing Shortages

In a large number of specific instances industrial output is hampered and employment opportunities are reduced because of shortage of housing accommodations in certain towns and around individual plants. In some respects this may be looked upon as a long range structural unemployment problem. It is one, however, that will require attack at local as well as overall levels and will be included among the miscellaneous causes of unemployment. For example, in the discussion of unemployment in the textile and clothing industries it was indicated that shortages of yarn for the weaving mills was a factor preventing greater employment in weaving and clothing factories. In Augsburg there is said to be a great shortage of skilled spinners. Several thousand skilled spinners fromthe Sudeten-land are living on the land and in small towns 80 to 100 kilometers from Augsburg doing farm work and whatever other jobs they can find. They would gladly go to Augsburg to these spinning jobs and the employers would be glad to have them, but there is no housing available in Augsburg. The spinning mills have been repaired and put into working order, but housing has not been constructed. In Coburg, open jobs in the "Goebel" porcelain works cannot be filled because of a shortage of dwelling space. At a new Siemens and Halske branch plant in Wuerttemberg-Baden, housing shortages prevent the employment of specialized workers needed for satisfactory plant operations. Undoubtedly, hundreds of examples could be found in the Bizonal Area in which housing shortages prevent the movement of workmen to suitable employment.

D. Cyclical Causes

However important the seasonal, structural and miscellaneous causes may be in the current unemployment picture, they are of relatively minor importance in comparison with the cyclical factors. Since a sound economic policy to correct this cyclical unemployment will depend upon an adequate understanding of the events of the past two years, the analysis which follows attempts at some length to draw the complicated threads together into a comprehensive whole.

1. Economic Conditions Prior to 20 June 1948

During the period preceding currency reform, economic conditions were in many respects in a chaotic state. The quantity of money in circulation was greatly in excess of the needs. Money had largely lost its usefulness as a medium of exchange and standard of value. Black markets flourished and business men carried on barter trans-actions, usually at legal RM values, in a remarkably wide range and volume of commodities in order to acquire materials and equipment for business purposes and to supplement the money wages paid to their workmen. These "compensation" deals were prevalent in most industries.

An investigation of five Bavarian brick factories indicated that between January 1 and September 30, 1947, 49 per cent of the total output was used in compensation transactions. Some brick factories even paid their workers in part with certificates representing a certain number of bricks. The workers then sold the certificates to farmers, butchers or bakers for food, who in turn called for the bricks and used them for building farm houses, barns, and retail storerooms. During the period to June 1948 there was relatively little unemployment. The total employed wage and salary earners was 12,214,700 at the end of June 1948. The unemployed numbered 330,900, which is almost the irreducible minimum.

Along with this high degree of employment of persons then in the labor force there was undoubtedly a large production of almost all kinds of goods and, in addition, a great amount of building construction. Production of goods was, however, held down by many factors such as war damage to factories and transportation, insufficiency of raw materials, bad physical and psychological condition of the workers following the loss of the war, great insufficiency of food and clothing, the desperate housing shortage, and many additional factors. Lack of profits was not an important factor restricting production. During this period business people all along the line were piling up goods of all kinds at little cost in anticipation of currency reform. During a six weeks' trip throughout the US Zone early in 1947, the writer was everywhere told of the great amount of hoarding taking place at that time. This rate of hoarding undoubtedly continued, perhaps even at a higher proportion, until currency reform. People in all walks of life uniformly stated that the most important action needed in order to get rid of the economic troubles of the day was an immediate and thorough-going currency reform. The second need was to make available more food. Price rises or elimination of controls were never mentioned. During the pre-currency reform period, factories in all parts of the Bizonal Area were being cleaned up, repaired, and put into operation, without recourse to borrowing. Such costs could be covered by selling some goods on the black market. Production and turnover were not being fully reported for obvious reasons: taxes would have been levied on incomes and turnover, and records would have been assembled for the drastic equalization of burdens which was expected to accompany currency reform. In consequence, the published production indices must be looked upon as a considerable understatement of the facts.

Moreover, prices could not have been far out of line with the real needs of industry. Although a price stop was supposed to have been operative, more than 5,000 price increases, including approximately 1000 general increases, were granted covering most lines of commodities during the period from the beginning of the Occupation to June 1948. Business men presented data showing that their selling prices did not cover their costs. In line with approved price practices, the price authorities checked the data and authorized the increases they believed to be justified. As a result, prices on the whole increased substantially, the basic purpose being to reduce the economic tensions that were arising in the economy because of price discrepancies.

Significance of Legal Prices

It cannot be maintained that these legal prices meant nothing on the ground that nearly everything was sold on the black market at much

higher prices anyway. Although there was a large black market and most commodities were more or less affected, a large proportion of most goods and services was sold at legal prices. Moreover, the fact that German business men in the vast network of "compensation" or barter deals that accompanied the rise of the black market, usually based their exchanges on legal RM prices adds support to the argument that these prices corresponded reasonably well to the needs of business. The reason they did not sell for cash in RM instead of bartering at legal RM values lay in the uncertainty of the value of the Reichsmark in the goods market and in the expectation that currency reform would come soon. No one wanted Reichsmarks whereas everyone wanted goods. Both parties to these barter transactions were thus protected by the fact that money did not change hands. The substantial increases in reported production during this period and the rate of collection of the turnover and assessed income taxes further substantiate this point. In any case, most German business men prefer to stay reasonably within the law in selling their goods. This is the most obvious and probably the real reason why they asked for so many increases in price. It is an unwarranted assumption that after a drastic currency reform in which the overhang of excess currency was actually removed and a tight credit policy maintained, an extensive black market would have continued to exist regardless of efforts to control it.

Wage Adjustments, Purpose and Effect

On the side of wages, however, the legal tariff rates were far less frequently increased. Most of the increases were designed to eliminate the discrepancies between industries which had been introduced during the Nazi period, so that a sensible peacetime relationship would be reestablished. Some increases were authorized for the lowest paid workers and one general increase was authorized to narrow the gap between wage levels and the cost of living. The result was that at the time of currency reform, some discrepancy existed between legal wage rates and price levels, although it was probably not as serious as the workers believed to be the case. The problem of low earnings was chiefly a result of the short hours of work arising largely from insufficient food, raw materials and coal.

The argument thus far indicates that at the time of currency reform, business was in a fair state of equilibrium. Practically everyone was employed, although efficiency was low for stated reasons. Many price adjustments and some wage adjustments had been made in order to resolve the worst discrepancies. Production was fairly large and additional plants were being cleaned up, repaired and put into operation. Building construction was going on at a rapid rate, although it consisted chiefly of farm buildings and commercial or industrial structures, the costs of which could immediately be passed on to the consumer. The black market flourished and compensation deals were prevalent. Their cause was the relative scarcity of goods and the vast overhang of currency. Profits were being made and goods of all kinds, which were cheaply produced, were being hoarded in anticipation of currency reform. There was no demand for general price increases or removal of distribution controls.

2. The Immediate Post-Currency Reform Period

Currency Reform Brought Immediate Benefits

Immediately after currency reform, all business men ceased paying

wages in kind except where this ha d long been a customary practice. Compensation dealing came to a sudden end. Goods could now be sold for money at legal prices instead of being bartered in compensation deals based on legal prices. Since money was again worth something, workers began to be interested in working harder and more steadily in order to get money wages. Money being scarce and valuable, business men who had hoarded goods began putting them on the market. Food supplies were being brought in from abroad in far greater quantities and farmers brought their products to the legal market in order to get money. Black market prices dropped catastrophically and black marketeers largely took up legal employment. Everyone had increased energy for harder work; goods began flowing out of the factories in larger quantities to the legal market; and everyone, including business men, workers, farmers and pensioners, began to have hope for the future. The chief complaint was that Military Government had delayed so long before instituting currency reform.

Basic Economic Difficulties Which Currency Reform Alone Could Not Correct

Although the picture at that time suddenly turned brighter, there were many very discouraging factors that could not be eliminated by currency reform. In many lines industrial capacity was far too low to support the increased population. Vast savings and rebuilding were required in order to build up production and productivity to a point where the greatly increased population would have sufficient work places, adequate hous ing and a reasonable level of living. Many serious bottlenecks to production would have to be eliminated, the most serious of which were inadequate coal production, raw materials shortages, insufficient electrical generating capacity, and a desperate shortage of housing. The most crucial bottleneck of all was lack of capital funds. A vast export trade would have to be built up to pay for necessary imports. The pent up demand for almost every conceivable commodity fantastically exceeded any conceivable supply. These problems could only be solved by hard work and long-range planning.

Detrimental Business Practices and Theories

On the other hand, there were a number of detrimental business practices and theories which were widely prevalent in the economic structure and which needed to be eliminated. The German business man's theory of pricing his products involved the adding up of all manner of costs, plus a profit, regardless of whether the market could stand such a price. Dislike of competition and the finding of ways to avoid it were too prevalent for an efficient low-cost output of goods. Restrictions on the right to enter business effectively prevented competitors from getting a start in business. Preference for a relatively small stable market rather than willingness to assume the risks and trouble of large output were characteristic attitudes, but were inappropriate to the problems of the day. All of these practices had become effective components of the Nazi autarchic system.

3. Removal of Price and Distribution Controls

Immediately a fter currency reform had created a solid foundation for economic progress, a new factor was introduced which in one way or another has been responsible for a la rge part of the current economic

difficulties. This was the too rapid elimination of price and distribution controls in most branches of the economy.

Obsolete Theory Behind the Too Rapid Elimination of Controls

The theory behind this action was the system of orthodox economics broadly outlined by Adam Smith in 1776 and developed into a complete theoretical system during the next century. Events have shown that it had by then become so far removed from the facts as to need drastic revision. According to the German bizonal spokesmen for this theory in 1948, the long period of controls had gotten the German economy out of gear. Price relationships were unsatisfactory and no control system could straighten them out. Only by a thorough-going elimination of restrictions and the wholesale introduction of free competitive forces could a proper new relationship be established. Private initiative was being stifled and production held back by the regulations imposed on business. It was further assumed that if the price and distribution controls were maintained, compensation deals and black marketing would continue to flourish and render these controls ineffective. Moreover, the German economy had to be linked up with world prices after the early Nazi period of artificial exchange rates and subsidies and the war period of isolation from the western world.

Military Government's Attitude

Military Government, while sympathetic toward this theory, realized that the complete removal of controls might be harmful to the working population and cause unfavorable repercussions in the States. Permission to remove price control and rationing of basic food stuffs was therefore denied, since such a high percentage was being brought in as a gift from the United States and should reach all the people fairly, not on the basis of more ability to pay scarcity prices.

Price Increases Create Tensions in the Economy

Once controls were released, prices of the decontrolled items began to rise rapidly. Business men in many other lines, seeing the large profits being made in items already decontrolled, demanded and obtained the decontrol of their commodities. Many which were not decontrolled were allowed substantial price increases on the prevalent theory that prices must equal costs. The mechanical adding up of costs was the recognized method of finding the correct price. On the general upturn of prices and the obvious weakening of the control mechanism, even those items subject to controls were again dealt in at black market prices. Hoarding again got under way, which reduced the quantities of goods appearing on the market.

After a relatively short time terrific tensions developed in the economy. While some commodities, chiefly basic foodstuffs and rents, were maintained at about the same levels as before, prices of other commodities bounded forward at widely different rates. Some increased to ten or more times their former level while others increased by various intermediate degrees. Workers' earnings increased but not nearly enough to support these high prices. Vigorous opposition to the official policies arose throughout the Bizonal Area. Protest meetings were held and local action, sometimes violent, was taken against profiteers.

Relation to Party Politics

By this time the matter had become a matter of political party prestige, with the CDU arrayed in favor, and the SPD against the prevailing policy. The policy was stubbornly maintained by the CDU. The party spokesmen argued that if the people would only have patience, the removal of controls would cause the rate of production to increase rapidly and would automatically bring down prices. Everyone would then be able to buy goods in quantity at low prices. Competition, it was stated, would inevitably lead to this result. In this they ignored the long German practice of keeping down effective competition and the physical inability of German industry to produce sufficient goods. On the other hand it was argued that German prices would have to rise to equal world market prices. This meant, according to their argument, that now for the first time in years German business men were being forced to look into their costs and eliminate every vestige of inefficiency that had crept into manufacturing and business operations during the period of controls. Every shred of favorable economic news was interpreted in such manner as would justify the current policy. Unfavorable items were ignored or explained away.

Official Action in Response to Unrest Arising from High Prices

When protests could no longer be ignored, the Bizonal Economic Administration cast about for means of allaying the concern people had about rising costs of living and the discrepancy between wages and prices. An ambiguous unenforceable law against profiteering was passed with a fanfare of publicity and approved by Military Government, although it was realized that the law would not be effective. Business interests were encouraged to determine "price mirrors" which, it was argued, could be used by purchasers to ascertain when they were being overcharged. Since the mirrors were set at relatively high values, one result was that firms which had been selling at lower prices raised their prices accordingly. Since in some lines manufacturers largely ceased production of low-priced items in common need and concentrated their efforts on high priced luxury goods, efforts were made through the so-called "Everyman's Program" to allocate raw materials, chiefly textiles and leather, for the production of good "low-priced" shoes, suits, dresses and other similar commodities. There was also much talk of trying to reduce wholesale and retail markups, which had remained at the same rates, percentage wise, with the higher prices as they had been at lower prices. Prices continued to soar.

Because of extreme dissatisfaction with the ever-worsening income-cost-of-living relationship, the trade unions staged a general one-day demonstration on 12 November 1948 throughout the Bizonal Area. Among other things, they demanded a reduction of prices and removal of the wage stop, so that working people could again make ends meet. During the whole period of rising prices, they had demanded a renewal of controls and price reductions. They were acutely aware of the great profits being made by hoarders and by manufacturers and sellers of all kinds of goods, and saw the luxurious spending of these people in the midst of their own poverty. They had not demanded general wage increases because they understood the dangers of a price-wage spiral. Many of the leaders had lived through a similar period in the early twenties and wanted no repetition of that experience. They also realized that Germany's ability to export and pay for required imports would be further

reduced by additional price increases.

As a result of this profound unrest the German Bizonal Economic Administration adopted an ordinance to remove the wage stop. The ordinance was immediately approved by Military Government. The trade unions then demanded general wage increases from the employers. The employers associations immediately recognized the additional threat which this offered to profits, to the price structure and to export markets. They therefore developed their own proposals to reduce prices as a substitute for granting wage increases. First an employers' association in Hessen and then the overall bizonal employers association adopted resolutions calling for general reductions in mark-ups charged by wholesalers and retailers and proposing that individual employers purchase necessary consumers goods from one another for sale to their employees at cost. Nothing substantial came from this proposal. In the meantime by December, the discrepancy between prices and the incomes of the people generally had become so great that it was obvious that even the relatively small overall production could not be sold at the prices asked. The economic tensions brought on by the inflationary forces could no longer be borne. Deflationary forces, with lowering of prices and increased unemployment, gained the ascendancy.

4. The Mechanism by which Prices Increased after Currency Reform

Before proceeding further, a more complete explanation should be offered for the great rise in prices from July to December 1948, particularly in view of the tight monetary and credit policies maintained during the whole period.

At First, A Short Period of Stability

The statement has been made that the head quota was fixed at too large an amount at the time of currency reform. It is alleged that the workers promptly spent this large sum of money on badly needed commodities and thus gave the initial impetus to rising prices.

Immediately after 20 June 1948, when money was extremely scarce and people recognized that it was good, large stores of goods, the variety and quality of which Germans had not seen for years, were suddenly disgorged by hoarders and appeared on the legal market. Accounts at the time indicated that the workers on the whole spent this first installment (DM 40) of the head quota very carefully. A great variety of "unnecessary" expenditures came to a sudden end. Passenger traffic on the railroads and street cars fell off drastically. Theatre tickets could no longer be sold. Only real necessities were purchased. The workers did not know when the second installment of DM 20 would be paid and it was clear that many employers would have difficulty in meeting their first payrolls. It had, moreover, been generally predicted that many workers would be thrown out of employment after currency reform. This added to the foresight workers used in spending their meager funds. Knowing that many workers who had been paid in RM shortly before 20 June, would be unable to survive until their next pay day, Military Government made special provision for bonuses in DM to cover their basic necessities. Although the temptation to buy these many new commodities was great, food and rent had to be

paid for first of all. After the preceding long period of semi-starvation, the temptation to buy food was particularly great. Rations had been increased by a great inflow of food from the United States. This fact alone relieved much of the buying pressure which would have been felt by other commodities. There is no doubt, however, that many necessary miscellaneous commodities and much clothing were purchased during this initial period, but the pressure was not great enough to overbalance the stocks which had appeared on the market. The head quota was, however, drained off by purchase of food and these miscellaneous commodities. Prices remained stable at that time and the controlled legal prices were generally the actual prices.

A sample survey of sales in 18 branches of retail trade made by the Bavarian Institute of Economic Research shows that in only a few lines were sales as high in July 1948, immediately after currency reform, as they had been during the first half of 1948. The index numbers for these 18 retail lines in July 1948 are as follows, with monthly average during first six months of 1948= 100:

Books	48	Vehicles	84
Electrical Appliances	51	Leather Goods	89
Paper and Stationery	52	Radios	96
Jewelry	54	Food	111
Paints	58	Textiles	134
Washing Materials	66	Bicycles	169
Tobacco	67	Shoes	230
Toys	68	Fruits and Vegetables	240
Metal Goods	77	Coal	276

These data show clearly that in most retail lines, sales fell off drastically. For the most part only those items which were really necessities were being purchased in larger quantities than in the first half of 1948. Two of these items, classified as food, and fruits and vegetables, had been expected by the finance authorities to take buying pressure from other consumers goods. Larger food imports and the availability of locally grown fruits and vegetables enabled much of the head quota and the first wages in DM to be drained off. Textiles, shoes and bicycles were very badly needed items, but the fact that shelves were not denuded of goods indicates that hoarded goods that were suddenly thrown on the market at the time of currency reform were sufficient to meet the demand. In this connection it should not be forgotten that much of the retail turnover prior to currency reform did not pass through the retailers' books and did not appear in the sales statistics.

In view of this analysis, income receipts, including the head quota, were not large enough to cause inflation.

Controls were Then Released and Most Prices Increased Rapidly

By the end of August, when the second part of the head quota was paid, workers were receiving their regular wages in the new Deutsche Marks. Controls were being released and it was abundantly clear that the Bizonal Administration had no intention of enforcing such price and distribution controls as still remained. Business men in general found themselves in a very favorable position. Practically all goods

which they had hoarded had been fully paid for with cheap Reichsmarks. The money received from their sale was practically all solid gain. Few had to pay interest on loans, debts had been scaled down, and evasion of both turnover and assessed income taxation was widespread. An unusually large part of the liquid funds flowed into their hands and they could use these funds at will. Since the number of such persons was quite large, their combined purchases of all kinds of goods added greatly to the pressure on the retail market. The result was a rise in prices, particularly of decontrolled commodities.

Manufacturers and distributors were then in an increasingly favorable situation. The prices of their products were increasing but their wage and salary bills and other fixed costs remained low. Since labor efficiency was increasing, labor costs per unit of output went down. Taxes were still being evaded. Bank loans were not required in substantial amounts because liquid funds in the hands of business men were plentiful. The short term loans that were granted were often used not to finance production processes, but to finance long term investments and for speculation. The result was a considerable addition to the forces pushing prices to higher levels. Very little had to be paid out by business peo ple in the form of interest. Profits became even larger. Business men wanted to avoid any bookkeeping or reports to governmental or business circles that might involve them in equalization of burdens payments or taxation. They used the large funds which they owned to speculate in raw materials, which pushed up prices and manufacturing costs; to renew their hoarding of goods of all kinds of anticipation of higher prices, which limited offerings on the market; to finance the cleaning up of rubble and rebuilding of plant facilities, the entire costs of which could be included in selling price on the constantly rising market; to build and furnish elegant residences; and for lavish personal expenditures. Workers used such funds as they could spare, over and above food, rent and utilities, for purchase of needed clothing, household supplies and other necessities. They had learned by experience that when prices are rapidly rising it is better to have goods than money, otherwise all may be lost.

In this way, prices of some goods were pushed to very high levels, others went up less, while others, including wages, salaries, non-wage incomes of the common people, and goods that were subject to controls, went up relatively very little.

Some Effects of Discrepancies Between Incomes and Prices

These discrepancies between incomes and prices resulted in hard times for many people. During such periods, persons not ordinarily in the labor market begin to look for jobs. While wage rates of manual workers in industry increased from 122,0 in June 1948 (1938 = 100) to 140.3 in December, 1948, and 143.5 in March 1949, and weekly earnings from 100.7 to 125.8 and 130.0, the incomes of the lower economic groups in general increased to a lesser degree. For example, the white collared workers in industry did not get increased earnings with the increase in number of hours worked by manual workers in industry, since they are paid by the month instead of by the hour or piece. Moreover, the white collared workers in industry, trade and commerce, and public employments, received smaller percentage

Is the Deflationary Trend Merely a Favorable "Cleansing" Process?

Moreover, a reading of the detailed reports shows clearly that the dismissals of workers are not simply the result of a "cleansing" process to be viewed lightly as a favorable passing phase. It is a cleansing process only in the sense that the inflationary tensions resulting from the releasing of controls are now being liquidated. Large well-known firms, as well as small and medium sized firms, are forced to dismiss workers or to go on short time. A report from Hessen states that, in part, the customary dismissal notices were not given since the firms had no funds with which to pay the required wage during the notification period. In some cases workers renounced their claim to their wages since they thought by so doing they had a better chance of reemployment by the same firms. In many industries workers are reported to be offering to work for, and are being paid, less than the agreed tariff wage. That this is a serious deflationary period rather than a desirable cleansing process is further substantiated by the increase in protested bills of exchange, increases in payment orders granted by the courts, and increases in bankruptcies. In the Bizonal Area protested bills of exchange of over DM 3000 each numbered 272 in January 1949, 371 in February, 533 in March, 459 in April, 637 in May, and 436 in the first four weeks of June. There were 104 bankruptcies declared and settlement proceedings in January 1949, 211 in February, 333 in March, 311 in April, and 423 in May. In a great many cases, it has become a struggle for survival. Many firms are losing the battle. Many formerly independent business people are applying for jobs as wage and salary earners.

Level of Production Not Satisfactory

Furthermore, little comfort can be derived from the monthly production reports. At this period when seasonal forces should provide a substantial impetus to production, the trend, as shown by the official index, has leveled off. While the production index should be used only as a measure of activity in the industries included in its construction, it has sometimes been used as a measure of economic activity. For this purpose, the index is inadequate in several important respects. It does not include the construction industry where unemployment has reached serious heights. It likewise omits food processing, transport and communications, commercial and administrative occupations, and agricultural employments, in all of which unemployment is serious. It excludes plants employing less than 10 persons, as well as handicraft firms and home workers in the fields of industry included in its coverage. Reports indicate that the small establishments have been more seriously affected by the deflationary forces than the larger establishments. From the standpoint of employment, the index for March 1949 included reports covering only 30 per cent of the number of dependently employed persons in the Bizonal Area. Of the industries included in the index the coverage of employees varies greatly. In coal mining the number of employees included is practically identical with the number shown in the occupational classification. Coal mining has not suffered from the deflation. In clothing and shoes, on the other hand, the number included were, respectively, only 36 and 44 per cent of the persons working at these occupations. Both of these industries have suffered severely during the deflation.

Regardless of the index, in an economy in which 1,240,000 persons are unemployed and in which dire need exists for almost every kind of

commodity from food, shelter and clothing to articles and services satisfying more than the primitive needs, it is not pertinent to speak with satisfaction of a production index of, say, 85 on 1936 production figures equalling 100. At the current level of population, this represents a per capita income, for the products included in the index, of about 68 with 1936 = 100. How meager this is can only be realized by recognizing that 8,000,000 refugees and additional hundreds of thousands of evacuees have no store of household necessities or clothing such as normal households possess. In the important field of textiles and clothing, people will, even if planned production is carried out, be compelled to get along with meager supplies. Before the war, the annual per capita consumption of textile materials was 14 to 15 kg., of which more than one-half went for clothing. For 1948-49 the total consumption will be scarcely 7 kg. The share going to clothing will therefore amount to little more than one-third of the per capita pre-war consumption. Even for 1952-53, the last year of the Marshall Plan, the usage of textiles for clothing is planned to be only 5 kg. per capita. The goods and services now being lost as a result of unemployment are sorely needed.

Production Increases in Comparison with other Countries

In comparison with other countries, German economic recovery, as measured by the production index in its original form and also when reduced to a per capita basis, is lagging badly. In the accompanying table, the first column is based on data in the 12 May 1949 report of the United Nations Economic Commission as reported in Der Volkswirt (Frankfurt a/M, 24 June 1949). The second column, taken from an article in the Frankfurter Rundschau of 31 May 1949, is based on data from the Bank deutscher Laender.

Index of Industrial Production
in Various Countries

(1938 = 100)

	Last Quarter of 1948	Per capita index for January 1949
Bizonal Area	51	67
Greece	77	N.A.
Italy	87	84.8
Austria	74	99.7
France	108	114
Belgium	115	116
United Kingdom	121	119
Holland	112	122
Norway	118	125
Denmark	130	129
Poland	133	N.A.
Sweden	143	146

In the light of these data, the economic policies out of which the economic difficulties, the unemployment and the production losses of the Bizonal Area have grown should be given critical attention.

How the economic tensions growing out of these policies resulted in deflation and unemployment in specific cases is told in the next section.

5. Specific Manifestations of Cyclical Causes of Unemployment

The individual labor market reports from all over the US Zone tell a uniform story. Such reports as are available from the British Zone show that precisely the same conditions exist there also. The shift from the inflationary to the deflationary phase of the cycle indicates that in individual instances unemployment centers around lack of purchasing power on the part of individual consumers, which makes it difficult or impossible for business men at all levels to sell their goods at the prices asked. It expresses itself in the falling off or cancellation of orders, stoppage of production for stock, inability to collect bills, exhausted financial resources, inability of people to buy because of high prices and low incomes, inability to sell abroad because of too high prices, and inability to sell here because of competition of cheaper goods from abroad. Looking at the overall picture, including the inability of about 1.240.000 workers to find employment, the facts point to an overall scarcity of purchasing power and credit.

Almost all industries have had to dismiss employees because of lack of orders. In Hessen, it is reported that almost all branches of the metal working industry are suffering from decline in sales. Employment in the medium-sized and small plants has been most seriously affected, but well-established large plants, with some exceptions, have been affected also. In Nordrhein-Westfalen, stores are reported to be stocked with many commodities they cannot sell. This is particularly noticeable in cutlery and bicycles, which people want to buy but cannot pay the prices asked. In the iron and steel industry, cancellation of contracts and the introduction of short time have become characteristic. Individual dismissals have been occurring and small, financially-weak plants have been closing down. The Reichsbahn has reduced working time in its own repair shops and by its reduction or cancellation of orders has caused unemployment in various parts of the Bizonal Area. This has occurred, for example, in Neu Ulm in the electro-technical industry. The same thing is true of Hessen. The failure of business activity to continue to increase has reduced the need of locomotive and freight car repairs. This is in spite of the great losses during the war and the even greater need of larger freight traffic by the larger population. Reduction of orders by the Reichspost is having the same effect. It is generally reported that the whole radio and radio supply industry is finding sales very difficult. Hessen states that at existing prices, an improvement in employment is not to be expected. Stove foundries cannot sell their products. Household goods also cannot be sold. A metal tube manufacturer in Kempten, Bavaria, has released workers because of "unprecedented" sales difficulties. In Altoetting, inability to sell stocks of saw frames has caused short time work and dismissals. The Askania works in Munich has introduced short time work because they cannot sell their electric clocks. Old well-established firms in the fine mechanical and optical industry in Kempten are said to be suffering more now than at any time in their history because of declining orders and credit restrictions. Small and medium sized firms in Wetzlar have been forced by lack of orders to dismiss workers or go on part time. Sales difficulties and money shortages have caused two large measuring instrument plants in Aschaffenburg to reduce staff by 40 per cent. During recent weeks (prior to 14 June 1949) an unusually large number of complaints about high prices and poor quality has been leveled against Bavarian glass ware manufacturers. This has caused stoppage of sales and dismissals. (Duesseldorfer Handelsblatt, 14 June 1949). A serious sales crisis in

the shoe industry has affected employment in many localities, particularly in small and medium plants. Some sales difficulties are attributed to inadequate quality of product. The brush industry seems also to be very ha rd hit by sales difficulties. Domestic needs at current prices are apparently satiated. Foreign markets which were formerly supplied by German firms have become self-supplying. Wetzlar reports that a brush factory in that locality has closed down completely. It can get no orders and c annot compete with imported foreign wares. Sales difficulties in the textile industry are causing unemployment and short time in many localities. In the Aschaffenburg area, 34 textile plants with 1207 workers were reported on short time and many workers have been dismissed. In Mehring, textile plants have shut down because of sales difficulties and debts. In Hessen, dismissals and short time work are characteristic of the clothing industry. Lack of orders is a major cause. In the leather goods industry at Offenbach nearly all medium and small plants have been forced to close down or release workers. Forced sales and competition from other areas have forced prices down so that it is said to be impossible to sell even by offering goods below costs of production. In the wood working industry the great demand during the last half of 1948 changed suddenly at the beginning of 1949 into a period of extreme sales difficulty. Plants throughout the Bizonal Area had to introduce short time work, dismiss workers or shut down completely. The furniture industry was particularly hard hit. In this industry contracts were cancelled on a large scale. New orders and payment of accounts practically ceased. The situation of refugee plants was worse than that of the older plants since they had to bear the financial burden of loans they had obtained in order to get under way, as well as the difficulties caused by lack of sales. Building materials plants in some localities report dismissals of workers because of sales difficulties. Even in Kassel, where war damage was so great, building materials companies, except for brick yards, report considerable sales difficulties. Serious unemployment also exists in the building industry. In the rubber industry, workers have been dismissed because of lack of sales. There is said to be no demand for truck and tractor tires at a Darmstadt plant. In Giessen an automobile tire factory has dismissed workers for the same reason. The turnover in automobile tires has declined so greatly that consideration has been given to reexporting US made tires in storage in Hamburg. The cigarette manufacturing industry in Hessen is suffering from extraordinary sales difficulties. DENA reports that a serious crisis exists in the coal trade since large numbers of consumers are not buying their winter supplies of fuel. There is a serious crisis in high sea fishing. A total break in the fish market has occurred. As of 3 May 1949, ten fishing vessels working out of Cuxhaven alone had been laid up because of unprofitable operations. It is reported that if these sales difficulties continue, more vessels working out of the various ports will cease operations or be brought in for repairs before the close of the current fishing season. A cure for this unprofitability was, however, not expected to result from recovery of fish prices, but only from reductions of overhead and operating costs. On the other hand, with the introduction of free auctions for fish, with no attempts to direct supplies according to probable demand, sales difficulties have been particularly serious. In order to help private firms to solve this problem, the Bremerhaven office which formerly directed the distribution of fish, has issued statistics on fish consumption by Laender.

This story of sales difficulties, coupled with inability to collect for goods already sold and delivered, return of goods already delivered,

cancellation of orders already in process, exhaustion of financial resources and shut-downs or bankruptcies, chiefly of smaller and medium-sized firms, could be extended almost indefinitely.

Many reports state openly that the firms cannot sell at existing prices, that consumers simply cannot buy although they need the goods. Some reports say that the disruption of the wage-price relationship is a basic factor along with credit restrictions, too high interest rates and other similar credit and currency conditions. It is clear also that difficulties in one industry are spreading to others. Particular mention is made of difficulties caused by reduction or cancellation of orders by the Reichsbahn and Reichspost. Inability to compete because of high costs, and the need of improved machinery and rationalization of processes is clear. In some cases the inability to sell abroad is blamed on the 30 cent mark, although it is probable that in many cases too high manufacturing costs are the real explanation. These high costs are not solely due to inefficiency. They are often due to high raw materials costs following the rapid rise in prices after currency reform. This is true particularly of the leather working industry where the prices of raw materials increased about ten fold to a point far beyond world prices.

Summary Statement of Cyclical Causes

In summary, the cyclical causes of the current unemployment problem center around the failure of purchasing power of individuals to keep pace with the increase in prices; the inability of business men to finance continued operations in the face of higher prices and the inability of their customers to buy; the shortage of capital funds and the inability to obtain short-term credit; the shortage of long-term credits to enable building construction and investment goods industries to operate at full capacity; and the unequal increases in prices of different kinds of commodities and services -- raw materials, semi-finished goods, durable producers' and consumers' goods, agricultural products, wages and salaries -- which created tensions requiring a period of liquidation for their relief.

Some Special Studies Confirm this Analysis

Some special studies confirm these conclusions. For example in a survey of the three western zones made by the Bielefeld Institute for Market Research, as reported in the Frankfurter Rundschau, 3 May 1949, it was stated that 52 per cent of persons questioned said that they were buying less than at the end of 1948. Twenty-five per cent said they were not buying less, but the remainder said that already at the end of 1948 they could buy only basic necessities and that less was not possible. Of those answering "yes", over 50 per cent stated that their incomes did not permit more buying. These were first of all agricultural workers, then persons with fixed incomes, farmers and industrial workers. About one-fourth stated they were waiting for price reductions. This group consisted mainly of independent persons, but less numerous were Beamte, Angestellte, and the free professions. Of those buying less, 12.8 per cent stated that they desired to save something. These were mainly from the free professions, some were farmers and independent persons, and fewer still were workers and Angestellte. Those buying less because they were waiting for better qualities numbered 7.7 per cent. They were mainly Angestellte, then Beamte and the free professions. Those who bought less because they feared unemployment and were worried about the

future numbered 6.5 per cent. They were workers and Angestellte in about the same proportion, fewer still were farm workers, and far fewer were members of the free professions. This survey indicates that the lower income groups and those with fixed incomes claimed that their incomes left room for little beyond basic needs.

A special study of 1701 establishments in Bavaria made by the Bavarian Ministry of Labor and Social Welfare showed that during the period from 1 January to 21 February 1949, 29.8 per cent of all dismissals were caused by the employers' lack of credit or capital; 27.8 per cent by decline in the demand for products; 26.1 per cent by seasonal factors; 3.4 per cent by shortage of raw materials; 1.0 per cent by shortage of electric power; and 11.9 per cent by miscellaneous causes. Lack of credit or capital and decline in demand for products affected nearly all industries. Seasonal factors affected mainly outdoor industries including agriculture, building materials and building construction, and various industries usually suffering declines after the Christmas season.

Data collected by the Wuerttemberg-Baden Labor Ministry on the causes of mass dismissals (as opposed to individual dismissals) indicates a preponderance caused by sale difficulties. For October 1948 to February 1949, the percentage was 58; for March, 70; and for April, 60. During April, older well-established firms were forced to dismiss workers. The difficulties had also spread from the consumers' goods to the production goods industries.

A comparison made by the Koeln Trade Union Economic Institute of the total of wages and salaries and the gross value product of certain branches of industry indicates that during the period from December 1947 to September 1948, the wage and salary share decreased in some cases by more than 50 per cent.

Branch of Industry	Wages and salaries as percent of gross value product			
	December 1947	March 1948	June 1948	September 1948
Nonferrous metals	8.3	7.3	5.7	4.7
Stone and earth	36.1	31.6	28.3	23.8
Paper production	14.0	12.4	14.5	9.8
Paper using	14.8	12.9	12.2	9.0
Textile	18.0	15.4	15.1	9.3
Shoe	26.1	22.2	26.6	12.8
Leather working	16.9	18.2	18.8	7.6

The great reduction in the share of wages and salaries from June to September 1948 resulted from the great price increases in these goods at the manufacturers level. This does not of course measure the degree of increase at the retail level. During this period both wholesalers and retailers were maintaining at least the same percentage markups as before. It also does not reflect the increased transportation costs to get these goods from the manufacturer to the retailer. Rail freight rates had

been increased by 40 per cent during this period. The percentages for September 1948 are, moreover, not the full measure of the discrepancies between wages and prices at the peak of the inflationary period. The peak was not reached until December. Prices had continued to increase in most lines until December, whereas wage, salary and other lower incomes had increased but little. These data therefore clearly substantiate the argument that workers incomes did not keep pace with prices, and explain why business people throughout the Bizonal Area have had to dismiss or introduce short time for hundreds of thousands of employees since December because of sales difficulties. These data also throw light on the reasons why the deflation has spread to industries not at first affected. Shortage of purchasing power quickly spreads throughout an economy.

This study also explains in part why large profits were possible during the sharp upward trend of prices to December 1948. When one considers that this increasing price-wage gap for the manufacturers was accompanied by negligible interest payments to mortgage holders and banks and by large scale tax evasion, it is doubly clear why the owners of industry approved the policy of decontrolling prices and distribution. The same analysis can be applied to the operations of wholesalers and retailers.

The "Free Economy" and Productive Efficiency

During periods when profits flow in so easily, business men have no reason to look into their costs or to try to improve their efficiency. The statements made during the summer and fall of 1948 by high German bizonal officials to the effect that the introduction of a free economy was compelling business men to eliminate inefficiency represented sheer nonsense. No time was more favorable than that period to the practice of determining price by adding up all conceivable costs, including rubble clearance, plant improvements and profits. Inefficiency was in reality a source of additional profits since profit margins were added to costs, whatever these might be.

Since the middle of December, however, the changed sales conditions have resulted in considerable price reductions in some fields, but not in all. It is not clear to what extent business people will respond by following the hard method of meeting competition by ferreting out unnecessary costs, reducing unnecessary expenditures and getting on a genuinely efficient production basis. The shortage of funds with which to obtain better machinery is a serious handicap. An available supply of better machines may not even exist, for example, improved spinning and weaving machinery, so that improvements in processes may be very slow in coming. In any case there is no indication as yet of a "rationalization crisis" such as existed in the period from 1923 to 1926 when German industry was largely reequipped with improved machinery, in part from U.S. loans.

Inefficiency and the Ability to Export

There is, on the other hand some evidence that German industry is trying to solve its profits problems by other methods. For example, the argument is made that exports are impossible because of the 30 cent mark and that special exchange rate advantages must be given to promote exports.

III Suggested Corrective Measures

Because of the complicated nature of the problem of unemployment and underemployment in the Bizonal Area no simple solution is possible. Measures that may be useful to meet the immediate problems of cyclical unemployment may help but little in solving the major difficulties caused by overpopulation and maldistribution of population. Employment problems arising out of international political disagreements while perhaps incapable of complete solution, may be alleviated by well considered measures. A successful attack on the combination of forces causing unemployment and underemployment must, therefore, make use of many weapons, each designed for a particular aspect of the problem. An attempt will be made in this section to suggest in broad outline suitable practical measures for such an overall attack. Basic to the whole program, is the establishment by the German Government of a Special Non-Partisan German Commission to carry out an investigation along the lines suggested later in this section.

A. Vocational Guidance, Training of Workers, and Labor Placement.

Not all of the unemployment now existing in the Bizonal Area is to be considered wholly bad. It is in part simply the result of workers' shifts from one job to another or from one locality or industry to another. Shifts of this type are occuring every day and should be welcomed as a device to equalize wages and working conditions while at the same time enabling workers to secure better jobs. The loss of time between jobs should, however, be kept to a minimum through an efficient public employment exchange system. The German system of local labor offices should continue its work of keeping this type of unemployment at the irreducible minimum.

For the important problem of vocational guidance and training, not nearly enough facts are known. It is of course clear that German industry will have to be modernized, placed on a much higher plane of efficiency and make fuller use of mass production methods. It is also clear that housing and building construction generally will have to be cheapened and speeded up, if the people are to be housed at all satisfactorily and the necessary industrial structures built. The use of these new industrial and constructional methods will probably result in substantial changes in distribution and types of skills throughout the economy.

Of serious import is the unemployment arising from the inability of young people just out of school to find employment. A healthy economy would absorb them immediately. This year there are reported to be about 20,000 such young persons in Schleswig-Holstein alone for whom no jobs or apprenticeships can be found. It is obvious that work places must be found or created for these additional persons entering the labor market. No society can face with equanimity the political, social and economic dangers connected with unemployed youth. The problem is partly one of proper vocational training and guidance and in part the shortage of work places. Vocational guidance, based upon sound analysis of future trends, is essential. The employment offices, schools, employers and trade unions should cooperate to provide adequate guidance, training, apprenticeship opportunities and work places for the young people in accordance with these trends.

The problem of finding permanent work places for young people is part of the larger problem of finding work places for the millions of

additional persons who have come to the Bizonal Area as a result of the war. Data from Bavaria indicate that 16.5 percent of the refugees in that Land are employed at types of work foreign to their training and and experience. Whereas in the indigenous Bavarian population, 21.2 percent of the total occupied population consists of self-employed persons, and 25.8 percent are family helpers, among the refugees these percentages are only 5.3 and 1.2, respectively. That is to say, among the refugees 93.5 percent of occupied persons are in the dependently employed status, but only 53 percent of the indigenous population are dependently employed. It is to be assumed that approximately the same percentage distribution between independent and dependently employed status prevailed among the refugees in their home land as now prevails among the native Bavarian population. (See article by Richard Oechsle in Bavarian Gewerkschafts-Zeitung, No. 11, for first half of June 1949). Particularly in the Laender with large refugee populations, the problems of retraining and placement are serious and urgent.

The current unemployment and underemployment is in large measure a result of maldistribution of the working force deriving from long-range structural forces too powerful to be relieved by the unplanned movement of individual workers. Planning is therefore needed in order to find work places not only for refugees and evacuees but also for various types of workers who are becoming surplus as a result of the larger structural changes.

Of all the occupational groups, the commercial and office employees have the largest number of unemployed. At the end of June, 1948, immediately after currency reform, there were almost 104,000 of these persons registered as unemployed. This number increased to 166,000 at the end of September but decreased only to 154,000 at the end of December. By the end of May it increased again to 202,609, or 16.7 percent of all unemployed persons. Roughly two-thirds of these were men. About three-fourths of both sexes were classified as fully employable. Unemployment in these occupations appears to be chronic since the number remained large even during the peak of the inflationary period. It represents a favorable structural shift in labor requirements, and is to be encouraged rather than hampered.

Counter measures should, moreover, be devised to restrict the tropical growth of trade associations with its heavy financial drain on industry and trade and its serious threat to a highly productive, low-cost industrial system. It is much more important in the Bizonal Area to produce more goods than it is to employ so many people as sales-people, clerks, record-keepers, trade association organizers and professional lobbyists. Needed reductions in costs might be accomplished in part by this method. Efforts to solve the problem of white collared workers will involve extensive retraining of these workers as well as guidance of newcomers into other occupations.

Unemployed agricultural workers are another important group for whom special efforts will have to be made. The long range movement away from the farms may be expected to continue. Unemployment was at a low ebb among farm workers at the end of June 1948 chiefly since food was more easily available to farm people than to urban dwellers. With the improvement of food supplies and the need workers had for cash income, many left the farms or have refused to take farm work for the various

reasons previously outlined. Unemployment among these workers increased steadily from 28,000 at the end of June 1948 to 77,000 at the end of May 1949. Retraining of these workers and the finding or creation of new jobs in other occupations will be a major task.

In the field of transportation and communications, unemployment has steadily increased from 28,000 at the end of June 1948 to 91,000 at the end of May 1949. A further large reduction of employees in these occupations should be welcomed, but large scale retraining and placement must accompany it. In the Reichsbahn, for example, a return to former efficiency should be possible with far fewer employees than at present.

Among unskilled workers and domestic servants, unemployment has increased greatly. At the end of June 1948 there were 46,000 unemployed unskilled workers. By the end of September this number had increased to 110,000. After a slight drop to 109,000 at the end of December, it again increased to 166,000 at the end of May 1949. Unemployed domestic servants increased during the same period from 26,000 to 55,000. For both of these groups, extensive retraining and placement are required. Further education and training of the youth is needed to keep these occupations from remaining overcrowded.

In all occupations, substantial percentages of the registered unemployed are classified as only partially employable. Of the total unemployed at the end of April 1949, more than 339,000 persons, or 28.4 percent, were in this category. At the end of March 1949, there were 34,000 unemployed workers who were classified as severely disabled. It will be a major task to find employment for these people, particularly during periods of severe unemployment for fully employable persons. The inhabitants of the bizonal area are too poor to bear the burden of supporting them. Vocational guidance, retraining and careful placement are important for solution of this problem.

Moreover, with the population constantly increasing and with a gradual return to normal percentages of the population in the labor force, it is clear that broad retraining, placement and job creation efforts will have to be made. As pointed out earlier, with the current estimated population and an assumed 50 percent of total population in the labor force, work places, other than in agriculture and forestry, will be needed for at least an additional 3,900,000 persons.

In the matter of vocational guidance and placement a major difficulty arises from the fact that in the long run the bizonal economy must greatly raise its level of production and its efficiency at the same time that it is providing work places for a greatly increased number of persons. To increase efficiency and reduce unit costs of production, large additions to capital used per employed worker must be made. This additional capital must on the whole take the form of improved machinery. At the present time, however, work places must be found for a greatly increased labor force at employments producing goods for the most part by the use of existing equipment. To use so much labor with existing equipment is no doubt technically impossible. To revert to a lower productivity per worker through the use of more primitive methods of work will not produce a viable economy. It will not pay for the necessary imports of food and raw materials to support the current population. During the period in which industry is being reequipped with better machinery for increased employment, the labor force must haveuseful work. A partial solution

would be to provide as many jobs as possible for the construction of dwellings and new factory buildings. The adoption of methods of building construction which make use of a smaller proportion of skilled labor should be of aid in this critical period. In spite of the excess of workers and the shortage of workplaces, the standards of technical training of industrial workers should be raised, not lowered. The wider adoption by German industry of the Training Within Industry program introduced to German employers and workers by Mr. John J. McCarthy during his stay in the Bizonal Area as Visiting Expert, should be encouraged as one method of attacking this problem. To find the solution to problems of this nature should be one of the duties of the special non-partisan commission suggested later in this paper. The problem is not one which will automatically solve itself through the operation of competitive forces. Careful planning and guidance of investment as well as the training and placement of workers will be required.

B. Geographical Movement of Workers

A sound economy must not only employ all of its workers; it should employ them at occupations that are suited to their qualifications and distribute them geographically in such manner as makes economic sense. Under normal conditions in a free society this problem takes care of itself. Freedom of movement from one occupation to another and from one location to another gradually removes the worst discrepancies.

The problem is more difficult in the Bizonal Area since (1) the required shifts of both indigenous and refugee populations will be so large, (2) sufficient work places do not even exist, (3) the types of required employments do not correspond closely to the skills of the population, (4) extreme housing shortages exist, which necessitate complete allocation of housing space and severely restrict the movement of people within the area.

Since the creation of adequate dwelling space will be a gradual process requiring considerable time for its completion, such housing as is built, at least during the first years, should be located where it will best serve the growth of industry.

While the need of housing to serve industrial growth has become less apparent with the slowing down of industry in the current deflationary period, existing equipment often cannot be fully utilized because additional personnel cannot be housed in the vicinity. In many cases workers have to go too far to and from their homes. There are instances in which they spend as much time everyday in traveling as they spend working. With the shortage of work places, it is desirable that equipment be run extra shifts. Reports indicate, however, that, in addition to various technical problems, extra shifts can be worked only with great difficulty because housing is not available for the extra workers.

The following example from Bavarian clearly indicates the necessity of moving refugees to other localities for purposes of employment. As of 31 October 1948, 40 percent of all vacant jobs were registered in the local labor office districts of Munich and Nuernberg, whereas only 6.7 percent of all Bavarian refugees lived in these two districts. In contrast to this, the local labor office districts of Pfarrkirchen and Weissenburg had 2.2 percent of the vacant jobs but 15.3 percent of the

refugees. From the standpoint of dwelling space, Munich and Nuernberg, with 33.2 and 49.3 percent, respectively, of their dwelling space destroyed during the war, stand in sharp contrast to Pfarrkirchen and Weissenburg which had, respectively, .0 and 3.4 percent of their dwelling space destroyed. (See Oechsle article referred to above).

Because of the shortage of capital and the necessity to make it go as far as possible, efforts should be concentrated on rebuilding damaged industrial towns. The Bizonal Area cannot afford the luxury of duplicating such facilities as streets, water, electric and gas supply, sewage disposal systems, churches, schools and stores, which are required when entirely new communities are built.

As these additional dwelling units become available the housing authorities should endeavor to bring about such shifting of workers as will reduce to a minimum the waste of time and energy now spent in travel to and from work places. Housing authorities acting in conjunction with employers and trade unions, should also undertake to arrange for the exchange of dwellings by workers in order to minimize cross travel from homes to work places. The final goal, so far as movement of workers is concerned, should be that of freedom of movement without restriction by any public authority.

At the same time that housing is being built around existing industrial establishments, new industries should be built where feasible to provide a better economic base in areas suffering from overpopulation and underemployment. This will aid in the employment of refugees, surplus farm people, women and white collar workers for whom industrial employment is a necessity. A report from Bavaria indicates an increased willingness on the part of unemployed white collar workers to take other types of jobs.

A collateral benefit of considerable importance which will accompany the movement of farm people to industrial employments, is the inevitably lessened food consumption. Farm people traditionally consume considerably more calories and use more of the scarce proteins and fats than do urban dwellers. Movement of workers from the farms may not reduce total agricultural production, but may instead force improved agricultural methods and increase total output.

In some towns, the industrial base is too narrow to provide a variety of employments for maintenance of reasonable employment stability. At the present time the city of Pforzheim, for example, is very hard hit by unemployment partly because its industries are in too specialized a field. The produce mainly ornamental jewelry and articles of silver and gold. Now that these industries are practically out of business as a result of the deflationary pressures, many families have no source of income. If some family members were working in other types of industries, where unemployment is not so severe, some incomes would still be earned. Planning and encouragement of investment to broaden one-industry towns and to provide new industrial workplaces in agricultural areas is of course required.

Further efforts should be made to encourage the emigration of surplus population while at the same time avoiding the loss of workers needed for the manning of industry. The recent agreement with the United Kingdom for emigration of Sudeten women to work in British textile plants is a good

example. Efforts should continue to be made also to bring about a considerable movement of refugees to the French Zone in order to relieve the great congestion and chronic unemployment now existing particularly in Schleswig-Holstein, Niedersachsen and Bayern.

C. Shortening the Work Day and Employing More People

Some consideration has been given to the suggestion that the hours of work be reduced in order to give employment to more people. Such a suggestion has an advantage in that short hours of employment which bring earnings to the family are infinitely better than unemployment. It would, however, be only a palliative and could be used only where unemployment is not serious. Many plants are already on short hours in order to avoid dismissals, but this has often come at the insistance of the labor offices. In many cases it has been accompanied by relief payments to enable the short time workers to live.

In spite of all efforts to retain workers, move them to new locations and to new jobs, increase the tempo of industrial activity, and to spread the work, there will remain some unemployed people. This will be true particularly among the older workers and those who are partially disabled. Work relief projects should be devised for these unemployed persons. If this does not suffice, outright relief must be given. The poverty of the Bizonal Area requires that the number on relief be kept at the absolute minimum.

D. Public Finances

The operations of the public treasury in stimulating or reducing activity in industry and trade have an obvious relationship to the unemployment and underemployment problem. There are, however, certain other aspects of public finance which should be discussed because of their direct or indirect bearing on this question:

1. Taxation in Relation to Harmful Cost Practices, Productive Inefficiency and Inability to Compete in Foreign Markets.

High taxes on business are said to have been a major cause of inefficient German production and high, as well as inflated, production costs during recent years. These high costs are now hampering sales both at home and abroad. High tax rates are said to have caused German businessmen to inflate their costs in every possible way. By use of these accounting methods they have been able to avoid the payment of taxes and have retained control over much larger funds than would otherwise have been possible. The use of high or prohibitive customs duties kept out competition by cheaper goods from abroad during the Nazi period, and the granting of subsidies and preferential exchange rates served to open up markets that would otherwise have been closed. All of these measures, plus manipulations by the cartels and governmental restrictions on freedom to start new enterprises, made close cost calculations unnecessary. During the period of rising prices up to the end of 1948, businessmen could continue their old methods of adding in all manner of costs, plus a profit, in determining their selling prices. The German system of letting public contracts also permitted lax cost practices. Because of a continuance of these practices into the present deflationary period, German industry suddenly finds itself confronted by difficulties in selling abroad as well as at home. Adequate accumulation of capital and full collection of taxes as well as

unemployment and the problem of creating additional productive work places in industry are intimately connected with this problem.

A very useful function of the special non-partisan commission proposed later in this paper would be the investigation of all the ramifications of this question.

2. Tax Morality in Relation to Unemployment.

In addition to business taxes, other high taxes, particularly the combination of current taxes, reportedly render honest tax payment in the Bizonal Area so impossible that tax morality is often said no longer to exist. Of the various business and income taxes, only those on wages and salaries, which are collected at the source, are said to be fully paid. A high finance official in the German bizonal administration is reported to have said that tax evasion amounts to probably 50 percent of the total payable. If it were only half this amount the problem would still be critical. Aside from black market sales, upon which no taxes are collected, even in normal commercial transactions there is said to be a large proportion of the turnover that does not go over the books simply in order to evade taxation. Evasion of customs duties is believed to be widespread, with great loss to the public treasury and to the economy.

This problem is connected with the employment problem in various ways. The failure to pay taxes harms the public budget and makes it more difficult for the public treasury to make the outlays necessary to achieve full employment and break production bottlenecks, including those caused by inadequate housing. The funds involved in business activities on which no taxes are paid tend to remain outside the control of the banking structure and may be used in ways which accentuate economic instability. Diversion of capital from uses which would add to the number of productive industrial workplaces, accompanies the evasion of taxation. These monies are instead spent to greater degree on wasteful uses inconsistent with the overall poverty of the bizonal economy. An unknown, but probably a substantial, amount of such funds is lost to the economy through capital flight. The whole problem is made more difficult by the failure to settle once and for all the question of equalization of burdens.

A further problem that is of great importance, but little appreciated, relates to the inaccuracies present in nearly all kinds of data on economic trends. The amount of production in the different branches of the economy, the volume of sales at the various levels, the size of the gross national product, the trends in distribution of income among the various claimants, the rate of capital accumulation, and many other pertinent factors, can only be roughly estimated. This arises in large part from the falsification of records or failure to make accurate reports because of the desire to avoid taxation. Unless reasonably accurate data are available by which the weak spots in the economy can be promptly discovered and appraised, it will be difficult to avoid inflationary and deflationary processes which leave unemployment and economic wreckage in their wake.

The special non-partisan commission should be given the task of investigating the causes of evasion of the various taxes, the loopholes in the tax structure and tax administration which make tax evasion or tax avoidance possible, the effects of tax evasion on the economy, and of making full recommendations on how to deal with the question.

year. Some of these cigarettes are brought into the Bizonal Area legally for transshipment to other countries but are diverted to the black market here. During recent months at least 480 million cigarettes in a total of 129 truck shipments from the French Zone were so diverted. In Bavaria during one week last year, an attempted rail-diversion to the Bizonal black market of 60 million cigarettes was foiled. Seizures by US authorities during the past year totaled about 250 million. One smuggling ring is believed to have had an outlay of $10 million in one turnover which involved the smuggling in of cigarettes and the smuggling out of machinery.

Coffee imports through outright smuggling and through illegal imports by means of formally legal procedures have been and are believed now to be tremendous. One so-called relief organization is said to have received, tax free, 700 tons of coffee through JEIA license. On this one shipment, the taxes directly payable would have amounted to DM 11,837,000, or $3,551,100, divided as follows: customs duty, DM 2,100,000; excise tax DM 9,100,000; turnover tax DM 637,000. Income and other business taxes would be additional. A tabulation of gift parcel contracts issued through JEIA procedures in Land Hessen alone during the period from 1 October 1948 to 31 May 1949, shows shipments as follows: coffee, 1,723,356 kg.; chocolate, 1,701,922 kg.; cocoa, 923,124 kg.; and miscellaneous commodities, 5,301,567 kg. The miscellaneous items included one for 1,500,000 kg. of rice. It is believed that at least 90 percent of these 'gift' shipments went into the black market, and paid no custom duties, excise taxes or turnover taxes. Procedures to stop violations by "relief organizations" have recently been put into effect. It is to be expected, however, that unless adequate checks are maintained, the resourceful individuals engaging in these operations will discover other methods of carrying on their business.

In addition to cigarettes and coffee, large amounts of other luxury or unnecessary consumers items, such as chocolate, cocoa, nutmegs, tea, cognac, wine, perfume, soap, diamonds, gold, silver, and other jewelry goods, nylon stockings, leather and gasoline, are being smuggled in. Some of these items are used in manufacture. Some of the goods so produced are smuggled out, whereas others are sold in the Bizonal Area.

On the export side, items of high value, representing some of the most vital products of the Bizonal Area, are smuggled over the borders. These goods include, among others, anti-friction bearings; optical and precision instruments; machinery; medical and dental equipment, drugs and supplies; chemical products; electrical equipment; automotive products, spare parts, etc.

These illegal operations are carried on through many devices. The goods move across the borders in automobiles, trucks, railway cars, barges, wagons, and are carried by travelers and pedestrians. Some goods go across without papers, others have forged papers. In some cases the papers are apparently in order, but the amounts, qualities and the items themselves

may not correspond to the entries in the documents. Large quantities of goods come into the Bizonal Area legally, ostensibly for transit to some other country or for processing within the Bizonal Area before being legally reexported. After crossing the border, however, the goods are diverted to the black market without payment of customs duties, excise, turnover and other taxes. With existing personnel and inadequate coordination of efforts, only a very small proportion of the goods crossing the borders can be checked. On the Aachen front alone, however, about 10,000 arrests per month are made. It is believed that this activity has reduced slightly the small type of border smuggling.

Export operations under the very loose procedures now in effect greatly facilitate the illegal export of capital. The following example indicates a type of transaction which is believed to be widely used. It indicates how an apparent loss can be covered by buying black DM on some foreign currency market, for example, Zurich or New York. Infinite variations of this formula are of course possible.

A Bizonal manufacturer has total unit production cost of	DM 100
His export contract calls for payment by the foreign importer of the German equivalent at 30 ¢ mark of	60
Apparent loss in German currency	DM 40

The foreign importer remits an amount at the 30 ¢ mark rate equal to	DM 60
The goods are sold in the foreign country at the equivalent of	95
Profit in foreign currency equal to	DM 35

Of this profit, the foreign equivalent of DM 15 is deposited in a foreign bank to the credit of the exporter. This represents capital flight. The remaining profit of 20 is used to by DM on the foreign black market for transmittal to the German exporter. Assuming a black market DM rate equivalent to 15 ¢, the German exporter receives DM 40, which cancels his ostensible production loss.

By such a transaction the exporters' books show a loss, not a profit. He is thus enabled to avoid certain business taxes and income tax. The economy gets only part of the foreign exchange it has really earned and the Bizonal government loses revenue. Fewer bizonal imports can be financed.

The losses to the Bizonal economy through smuggling, capital flight associated with export transactions, illegal import of goods of no real use to the economy and illegal export of goods of high importance to the economy, the losses of much-needed foreign exchange, and the tax revenues lost are estimated by persons close to the problem to be in excess of $ 700 million per year. With great stretches of the border poorly guarded and with so much potential profit involved, it is easy to believe that the losses may be as large as that amount.

These operations create hardship for foreign importers who are trying to do a legal business, since smuggled articles or articles sold abroad at less than cost through purchase of black DM abroad, cut the ground from under their normal business. Thus an Italian importer was forced to cancel an import contract with a bizonal firm, since the same articles he was importing were being sold in his market for half his price. By using the black currency exchanges in Zurich and other foreign cities, German exporters can engage in a form of dumping, as in the above illustration, and at the same time make a profit and export part of their gains as capital flight.

It should be clear that these operations make much more difficult the solution of the current unemployment and underemployment problem. Capital flight reduces the chances of the Bizonal economy getting on its feet and providing work places and homes for its inhabitants. Use of black DM purchased abroad at low prices enables business men to make profits without careful cost calculations and improvements in efficiency. The evasion of taxes by business people and the well-to-do means burdens on the working population who cannot escape their wage and salary taxes. The normal purchase of commodities, by the working population, which constitute the major support of the market, is reduced. The loss of a huge volume of public revenue makes more difficult the financing of rebuilding operations by governmental agencies and the elimination of unemployment. The great loss of foreign exchange reduces the ability of the economy to support itself. The economy is in effect bartering its valuables for practically useless goods - anti-friction bearings and fine optical and precision instruments, for example, against cigarettes and cognac. The economy is weakened by every such exchange. The continuance of these operations can only add to the difficulties at home and abroad at a time when we hope that economic and political stability, good morale and normal exchange of goods may become the very ingredients of peace.

This problem is so complicated and so serious and involves such great losses to American taxpayers, who are helping meet the losses caused by these operations not only in the Bizonal Area but also in the adjoining Western European countries, that all resources should be used to overcome it. In addition to the strengthening and coordinating of border controls, additional measures should include adequate checking and high bonding requirements to prevent the diversion of intransit shipments to Bizonal consumers; closer supervision over foreign trade contracts, including the pricing provisions; close watch over foreign currency transactions and invisible export and import dealings; and gaining the cooperation of the other Occupying Powers and the surrounding countries in combating the evil.

F. Miscellaneous Corrective Measures

Review of the specific causes of unemployment reveals the existence of several problems which require attention.

1. Overcome Shortages of Coal, Raw Materials and Supplies.

Shortages of coal and other raw materials sometimes cause dismissals or short-time work. These shortages may point to basic overall shortages, lack of funds with which to purchase, or accidental or intentional denial

of supplies. Overall shortages of coal can be overcome only by increasing production, which requires chiefly additional capital funds for the mines. Other overall shortages may result from failure to import adequate quantities. This may depend upon amounts brought in under the ERP program, availability of credit with which to pay for ERP imports, or ultimately on insufficiency of exports. They also arise from production bottlenecks in individual industries. Shortages for particular plants often result from insufficient financial strength and inability to qualify for credit under existing banking practices. This is often the case with refugee and other new establishments. The possibility of monopolistic controls and discrimination in distribution of materials should not be ruled out as a cause in view of past practices and the recent growth of trade associations.

Since there are numerous instances of plants having to release workers or work short time because of shortages of materials of various kinds, the various German agencies should inquire as to the specific reasons for failure to secure adequate supplies. The special non-partisan commission proposed later should include such an investigation as one of its fields of activity. Once the facts are adequately known, corrective action can be devised.

2. Unemployment in the Tourist Trade.

Both from the standpoint of eliminating unemployment and the acquisition of foreign exchange by the Bizonal economy, the fullest possible development of the tourist trade is essential. Much work has been done in an effort to simplify the procedures for entry into the Bizonal Area and to enable tourists to get from place to place at reasonable costs during their stay. Employment in the tourist industry will also be helped by measures to get the economy generally on higher production and employment levels.

3. Unemployment Among Forestry Workers.

Many forestry workers are unemployed because of lack of funds with which to do reforestation work, grow and replant young trees, remove underbrush, care for forest roads, etc. This work is of particular importance in view of the rapid cutting of timber since the Occupation and the need to conserve the soil and water resources. Public budgets should provide for this work so far as the publicly owned forests are concerned. Proper measures to protect private forest resources should be recommended by appropriate agencies.

4. Inability of German Industry to Compete in Foreign Markets.

It is becoming abundantly clear that employment is being restricted because of inability of German industry to compete in export markets. Part of this difficulty is said to arise from the fixed 30 cent mark. Whether or not the mark exchange rate is a uniform 30 cent rate or some other uniform rate should not divert attention from other factors which make it difficult to export.

As pointed out earlier, the years of high or prohibitive tariffs, subsidies and exchange manipulations, and cartel and gowernmental practices restricting competition, made it unnecessary for German firms to become efficient and modernize their manufacturing and trade practices. Reintegration into competitive world markets has shown how extensive the im-

provements must be. Often it is a question of design and quality. In other cases it is a question of high manufacturing costs since quality is sufficiently good. There is also fear and resentment toward Germany which makes exports difficult. To make the situation even worse, the political difficulties which have blocked markets in the east and south-eastern part of Europe require greater sales in markets already strongly competitive.

Attack on these problems obviously requires a variety of approaches. Both the German government and the Occupying Powers should try to break down international difficulties standing in the way of acceptance of German goods and, so far as German practices are concerned, require that only those methods consistent with approved international trade practices be permitted. These include of course improvements in quality, cheaper production methods through use of modern machinery, skilled labor and careful management, in addition to the improvement in workers education, training and placement, improvements in housing, raising of living standards, and maintenance of economic and political stability which are discussed at various points in this paper. Solution of the smuggling and black market problems discussed under Section E above, will reduce the volume of dumping by German business firms.

G. Policy Regarding Credit and the Use of Public Funds.

As detailed analysis shows, current unemployment and the long-range problem of underemployment are related in many ways to the use of credit and public funds. Because of their powerful but divergent effects upon economic activity, skill and foresight are required to govern their use. During the period from 20 June 1948 to the peak of the inflation in December, it is indeed fortunate that Military Government followed a policy of strict limitation on currency and credit expansion. Although inflation grew out of the too rapid freeing of the economy from control, the inflationary developments would have been far more dangerous if currency and credit had also been freed from control. Now that deflationary forces are beginning to liquidate some of the economic tensions which developed during the inflationary upswing, businessmen are clamoring for credit in the hope of holding stocks and financing production operations. Demands for long term credit to finance housing and industrial construction are heard on all sides.

In addition to the problems of housing and the long-range provision of millions of additional workplaces, two immediate problems relating to credit and the use of public funds must be solved: first, the degree to which efforts should be made to halt the current liquidation of inflationary tensions; second, the preparation of a positive program to put the unemployed back to work.

1. Credit and the Current Liquidation of Inflationary Tensions.

Reports from all over the Bizonal Area indicate financial difficulties on the part of all kinds of businesses because of inability to sell their stocks on hand. Some manufacturers have been complaining not only about cancellation of orders already in process, but also about return of goods already delivered. Bills frequently cannot be collected for goods previously delivered. Wholesalers and retailers find it difficult to sell their goods at prices sufficient to cover their costs. Conditions have changed completely since the inflationary days from July to December 1948

when profits could easily be made by selling on a constantly rising market. The difficulties have arisen chiefly because prices have outrun the ability of people in general to pay, but in part because many of the goods that were produced during the upswing period are of such poor quality that people simply refuse to buy them. In both cases, businessmen demand credit to tide them over the crisis. To grant credits to enable business men to hold inventories and maintain prices would delay the readjustment of prices to wages and incomes of the lower economic groups, and fail to accomplish even its restricted purpose. It would, moreover, fail to break the prevalent pricing policies whereby price is determined by adding up all costs regardless of what the market will stand.

If the discrepancies between the incomes of the lower economic groups and prices and between prices of raw materials, semi-finished, and finished goods of all kinds had not become so great, the granting of credit to enable businessmen to liquidate their stocks gradually while price recovery was taking place might be justified. Also if the manufacturing and distributing process had been efficient, with no excessive costs and price and profit margins to be squeezed out, credit might be justified, since the price deflation might have been only a temporary matter. On the other hand, with price discrepancies so large and with prices reflecting uneconomic costs and markups, it would be unsound to try to hold them by use of credit. The old principle of the "first loss is the smallest" should be followed, otherwise the liquidation of stocks may mean even greater losses. The desirability of getting back to the approximate price balance and price-wage relationships that existed prior to the inflation is clear. It cannot come through an increase of production as was predicted and promised by spokesmen for the Bizonal Economic Council, but it is being forced by the intolerable nature of the discrepancies themselves. Should the losses from the deflationary process force businessmen to reduce costs and change their price policy, real progress will have been achieved.

Furthermore, Military Government should not permit the use of credit to maintain prices since this might permit the stabilization of the economy at a level of high prices, low production but good profits, low wages, low standard of living and underemployment.

In order to bring costs and markups under control, it is essential also that freedom to start new businesses be safeguarded and that careful watch be maintained to keep business people from using their 2000 and more trade associations to eradicate competition in their respective fields. A full-fledged encouragement to consumers cooperatives would be useful here also, as would encouragement to trade unions to continue their pressures for a low cost of living and full employment. Measures to increase industrial capacity and production are fundamental.

One additional difficulty that arose during the inflationary upswing was the use by various industries, notably the Reichsbahn and the coal mines, of short-term credit for long-range financing. The violation of good credit practices in these cases may have permitted some necessary modernization and repairs to be consummated, but it also resulted in a dangerous situation for the firms involved and temporarily diverted attention from the basic problem of finding long-term financing. Slowness in solving the long-term credit problem has caused much of the difficulty currently being experienced by firms which are dependemt upon Reichsbahn and mining company orders.

After the price discrepancies are liquidated and the relationship between cost of living and the incomes of the lower income groups again becomes reasonable, business activity will no doubt get underway again. With the need of goods so great in relation to capacity to produce, and with the fundamental requirement that foods and rents continue to be controlled, the danger of renewed inflationary tensions will arise. At that time, it may be advisable to reintroduce some additional controls in order to prevent an eventual recurrence of the difficulties of the last six months.

2. Use of Installment Credits.

The proposal has been made that the granting of installment credit to finance the purchase of furniture and other expensive durable consumers goods would help current sales and restore workers to employment. Although this device might be useful to facilitate the furnishing of homes after the current high prices have been brought into line with earnings, it would be a mistake at this time to encourage such a method of financing. It would tend to keep furniture prices at levels much too high for workers to pay, and would so overburden workers with principal and interest payments that many would lose both the furniture and the amounts already paid. Very large production at low prices is needed throughout these industries.

3. The Use of Credit and Public Funds to Get the Unemployed Back at Work.

The economic losses and political dangers connected with the current Bizonal unemployment have already been discussed. The great advantages of having the working population fully employed should be clear. Instead of perhaps a yearly loss of DM 10 billions, including loss of production, wage losses and losses to the public budget, goods would be available to satisfy basic needs, public budgets would be eased, greater savings and capital formation would be possible, more housing and industrial reconstruction could be financed, and larger funds would be available for carrying on normal industrial and business processes. The additional production and savings would serve gradually to create the millions of additional highly-productive workplaces which are the crying need of Western Germany today.

Current Credit Policy Does Not Meet the Needs.

The chief key at the present time to failure or sucess in getting the unemployed back at productive work is the use of credit and public funds. As pointed out in the previous section, credit should not be granted for the purpose of preventing the return to the relatively satisfactory price relationships that existed at the time of currency reform. At that time even the price-wage rate relationship was not so far out of line that it could not have been largely corrected by normal collective bargaining between employers and trade unions. The universal complaint about lack of credit since December 1948, and the gradual lowering of many prices indicate that current credit policies have not preventing this readjustment of prices.

It is in the positive use of credit for financing production operations and putting the unemployed back to work, that credit policy has

been faulty. To be sure, certain steps toward a broader credit policy have been taken, such as lowering of minimum reserve requirements, lowering of the rediscount rate and permitting bank acceptances to be rediscounted, but unless other things are also done these may help but little. Interest rates which businessmen must pay for bank loans remain very high, as much as 11 to 13 percent, with charges. With prices gradually falling, businessmen hesitate to take the risks of going ahead. An aspect of this is their failure to take all available ERP machinery imports. This began in November and has reflected business prospects in the Bizonal Area since that time. The banks themselves found that many of their loans had been not regular business loans, but really long term investment loans with practically no possibility of repayment within the stipulated short-term periods. One can therefore, except considerable care in future lending, particularly while prices continue to decline.

A Positive Credit Policy Required to Put the Unemployed Back to Work.

It seems likely, therefore, that so long as business prospects appear unfavorable, the measures already taken to increase business activity by loosening up credit will depend for their success upon further measures which will decisively change the trend. To depend upon the gradual sagging down of business activity until the bottom of the cycle is reached finally to bring an upward trend, is too dangerous economically and politically. In the meantime, too much production and capital formation are being lost.

The steps already taken to provide long-term funds to the coal mines, railroads, electric generating plants and housing are definitely in the right direction. Besides putting people back to work, they represent an initial attack upon some of the major bottlenecks to further economic advance. Coal production seems to have reached a plateau beyond which present manpower and equipment cannot go. Electric power production reached practically its absolute limit during the winter months. Experience the world over clearly indicates the close relationship between the use of coal and electricity, the general level of production, and the standard of living of the population. With these two factors having reached their present capacity in the Bizonal Area, a general economic advance much beyond the current level is wellnigh impossible. The granting of long-term loans to these industries is, therefore, definitely an important step forward. The loans being extended to the Reichsbahn should enable that organization to let new equipment contracts which will enable many plants throughout the Bizonal Area to rehire employees and get production underway. Reports from some localities already indicate a tendency toward increased employment from the little that has already been done. In Nordrhein-Westfalen it is reported that a noticeable impulse to greater business activity came with the announcement of the plan to provide long-term credits. Electric power plants were beginning to let contracts, which was said to be responsible for the small recovery of the electro-technical industry starting in April. Building activity also increased somewhat in April not only because of seasonal influences but also because of the policy of allocating funds to housing construction.

More Needs to be Done Than to Drain Off Savings.

A grave difficulty has appeared, however, in the apparent inability to find sufficient savings with which to extend such help in greater

degree and to additional industries, particularly to housing. Adequate savings are particularly difficult in view of the primitive life of most of the population, the stoppage of windfall profits which accrued to businessmen during the inflationary upswing, and the low level of employment and production in relation to the population.

The plan prepared by the German administrative and banking agencies for financing investments during the third quarter of 1949, calls for the provision of something over DM 1875 million out of public budgets, self-financing, savings accounts, social insurance and private insurance accumulations, and other private savings. With additional funds from the ECA and GARIOA plus some other sources it is hoped by the German authorities that the total available will amount to as much as DM 3 billion. (Frankfurter Rundschau, 17 June 1949). These funds would consist entirely of accumulations from existing income sources. Since the current period, however, is one of unemployment, sagging prices and sales difficulties, and windfall profits from the sale of hoarded and newly produced goods at ever increasing prices are no longer being made, the sources from which savings of DM 3 billion can be accumulated within the next three months are not easily apparent. It will be difficult to obtain these funds either as taxes or private savings. In any case it will mean simply a reduction of purchasing power by some people and its transfer to others, when the totalmoney income is so small that existing productive capacity in many lines cannot even be utilized.

Additional Funds Must be Created, Carefully Allocated, and Their Effects Controlled.

From the overall picture, shortage of funds in the hands of consumers, sales difficulties and lack of both short and long term credits, and numerous other factors point to the need of greater funds in the economy, instead of a mere transfer of existing funds from one group to another. Since it is probable that sufficient funds to provide full employment cannot be found by the orthodox method of draining off savings, the necessary additional funds to get the unemployed back at work must be created through the German banking structure and the public treasury. If properly allocated and controlled, such funds will create additional goods to match the funds released and create the means of repaying. The spread of such funds throughout the economy will help clear the inventories currently held, keep down the losses of the holders, but at the same time permit a return to sound price-wage relationships.

Such funds should be tied up with improved efficiency, rationalization and close cost calculations. Lack of credit should not prevent businessmen from buying machinery and equipment through the ERP to create productive employment in industries most suitable to German economic needs.

The impetus these outlays will give to business activity will call upon the lending power of the banking structure to finance production processes and the building up of necessary inventories. In such lending operations every effect should be made to help new enterprises to get under way. Such credits will quickly result in orders and increased employment in the machinery and equipment industries. Refugee enterprises should be given particular attention. If this is not done, the old complaint that only the old well-established firms were getting credit will be heard again

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The whole process should of course be closely watched in order to prevent inflation. The necessary data to judge these trends should be made promptly available through German agencies. If inflationary trends appear, the various brakes that are available can then be used to hold the economy at a level of full employment without rising price trends. In addition to the usual brakes through the banking structure and the public treasury, the temporary accumulation of counterpart funds until stabilization is reached can become a useful weapon while the ERP appropriations are available.

It is important that the funds thus made available be allocated to the most essential uses. The overall bottlenecks to industrial development should be given first attention, then the bottlenecks in specific industries should be attacked. An example of the latter is the textile industry, where spinning capacity is a bottleneck.

During the last half of 1948, the evils of uncontrolled use of liquid funds were clearly apparent. Dr. Muender states that during the nine months after currency reform as much as DM 6 billions were saved. (Duesseldorfer Handelsblatt, 14 June 1949). But a large part of these funds was used to finance the building of commercial structures, restaurants and elegant residences, for speculation in raw materials and inventories, and for expensive living. Some of the large profits made during the inflationary period were undoubtedly lost to the economy through capital flight. Part went into the financing of industry, but such financing as was done may or may not have resulted in sound industrial development in view of the general economic situation. Capital funds are too scarce in relation to the need to warrant ill-advised or spendthrift uses.

Much of these savings by business firms represented the transfer of costs of constructing and equipping factory buildings to the consumer in the form of ever-increasing prices. The consumers paid these costs without gaining ownership of the properties or a claim to the proceeds. Instead of broadening the economic base, which consists of the power of the masses of the people to buy, this process intensified the concentration of ownership and income.

On the other hand, since regular long-term financing was not available, this large use of owned funds, estimated at DM 2.33 billions, and of short-term credit for long-term purposes, estimated at DM 1.8 billions, enabled employment in some industries to go on during the inflationary period. Without such expenditures, for example, the building industry would have suffered badly, as was expected to be the case after currency reform, and the economy would propably have collapsed for lack of investment funds. It is regrettable, however, that so much of these funds went into relatively poor uses. A repetition of wasteful use of scarce capital funds should not be permitted.

The proper direction of capital funds into improving the technical equipment of industry will serve to increase productive efficiency and enable commodities to be produced on a mass production basis at low costs. This will be of great aid in facilitating the export of goods and in raising the level of living of the Bizonal population. It will have one temporary disadvantage, however, in that it will be accompanied by some technological unemployment. The increase of unemployed metal workers in Nordrhein-Westfalen from 7760 at the beginning of January to 20487 in

mid-May is said to have occurred in part as a result of plant rationalization in an effort to reduce costs. The occurrence of technological unemployment does not of course mean that improvements in technical efficiency should be postponed. The unemployment that results must be eliminated by other methods, of which the prompt allocation of adequate funds for building construction is perhaps the most important in view of of the quick spread of buying power and increased activity to other industries. While this building might take many forms, the shortage of capital requires that it be directed to the most necessary uses. These are no doubt the building of workers' dwellings where most useful to industrial production, the construction of additional industrial structures as part of the process of creating the additional millions of needed workplaces, and for public construction of many kinds, such as schools, hospitals, roads and bridges, and public administration buildings.

H. Building Contruction Program, Chiefly Workers' Housing.

Shortage of Workers' Housing is a Production Bottleneck.

The shortage of housing is one of the chief bottlenecks to industrial progress in the Bizonal Area, although the failure of industry to advance during the past few months has tended to obscure its importance. The greatest impediment to the filling of specialized jobs is the immobility of labor. Possibilities of improvement depend almost solely on housing construction which would enable additional labor to obtain residential permits for the urban industrial areas. Ability to develop high quality exports depends in considerable measure upon large investment in workers' housing which will improve workers' living standards, increase productivity and standards of workmanship, and make possible the efficient utilization of skills. (See Bipartite Control Office paper number BICO/ERP/Sec(49)56, dated 19 April 1949).

It is of course little short of ridiculous to have a tremendous shortage of housing, which is hampering industrial production, at the same time that there are many thousands of unemployed building workers during the height of the building season, and with the building materials industries working at much less than full capacity. Instead of a gradual advance in overcoming the shortage of housing, it is apparent from available information that housing construction is lagging behind the increase in population. During the first nine months of 1948 there were only 5.5 additional rooms per 1000 inhabitants made available in Land Hessen. The percentage of total number of workdays in the entire Hessian building industry that was devoted to housing construction declined from 28.7 in May 1948 to 25.5 in September 1948. A large part, probably the major part, of this house building consisted of dwellings for the well-to-do rather than for workers.

Current Proposals to Further Workers' Housing.

Various measures have been proposed to further workers' housing construction. In general they are designed to encourage private investment by raising rents, reducing construction costs, giving tax preference, and by reducing interest charges. Because of the low earnings of most workers, the high cost of living, and the great need they have of clothing, household equipment and miscellaneous items, it is difficult to see how increased rental payments can be expected of them. This is particularly true of the large refugee population and the evacuees who are the worst off with respect

to housing, household goods, clothing, and furniture. They are also suffering the greatest degree of unemployment and short-time work. Faced by the same problem are the old, the crippled and widows with families to support. The proportion of workers' income spent for rent is unusually low at the present time since the space available per family is so restricted. To raise rents now would result in a long run increase in the proportion of income spent for rent as additional space per family becomes available. In reality, because of poorer upkeep and fewer services rendered by landlords, and the common practice of requiring renters to do their own repair work, the share of income spent for housing is higher than the percentage used in the cost of living index. For the same reason, the net income of the landlord is relatively greater than before. There is ample evidence of the inability of working class people to get along at present costs of living. The earnings data usually used in calculations purporting to justify rent increases are those of the skilled industrial workers who are not typical of the working population.

If rentals are increased, the workers will no doubt demand corresponding wage increases. This will in turn increase construction costs and the need of larger capital funds for all types of construction, including worker's housing. At the same time, the increased costs of living will harm all groups with fixed incomes, make exports more difficult, and increase the difficulty of balancing public budgets.

The adoption of new methods of construction which will reduce construction costs and require less skilled labor should, however, be encouraged. With every increase in building costs, whether for lumber, labor, or other charges, the overhead charged by the contractor and the fees of the architect also increase. It is little wonder that building construction has narrowed essentially to the housing needs of the owner himself, to building for business purposes, where high building costs were passed on immediately to the consumer during the period of rising prices, and to the repair of damaged properties which would rapidly lose their value unless repaired.

Likewise some tax preference to encourage low cost workers' housing may be justified. The possibility of bringing the interest rate to a point low enough to make workers' housing financially profitable to private investors seems slight. Current rates for long-term money are probably twice as high as can be justified for workers' housing. It is difficult to see how private individuals can be led to accept such a low return so long as they can get so much more by other lending.

Privately Financed Workers' Housing on Large Enough Scale Not Possible - Public Funds Needed Immediately.

The crux of the matter seems to lie in the fact that privately financed workers' housing on a sufficiently large scale is not really possible in the Bizonal Area. Capital funds owned by individuals are insufficient to supply the demand even for uses with higher returns. Public funds will undoubtedly have to carry the greater part of the burden. This is particularly true at the present time, when nearly all incomes are low because of the deflationary trend and unemployment. The prompt allocation of public funds for workers' housing construction is a major requirement to bring an end to unemployment. The 1949 building season is already far along. Measures taken now will hardly be of influence before the normal seasonal decline in overall employment takes place. Haste is therefore essential.

Such funds should be made available as subsidies to well-planned municipal or cooperative housing projects. They should be raised by taxation, borrowing, or if necessary, during periods of unemployment. such as the present time, by creation of credits. In addition, loans from private sources or through the RLC should be encouraged in the case of industries which have customarily built and maintained housing for their workers.

Short-term Credits at Reasonable Rates Also Required.

In addition to the provision of long-term credit or public subsidy, short-term financing at reasonable rates will be required to enable building contractors to finance current operations on the contracts they undertake. At the present time, most of them have little capital with which to pay for materials and labor as the work progresses.

Broaden the Industrial Base in One-Industry Towns and in Overpopulated Areas.

In addition to the building of housing as a means of eliminating unemployment and serving the requirements of industry for housing, funds should be made available with which to broaden the industrial base in one-industry towns, in areas with large refugee populations, and in areas where opportunities for industrial employment are needed to take care of people leaving the farms.

German Building Construction Administration is Needed.

To facilitate and coordinate the building activity proposed here, the Germans should be encouraged to set up a building construction administration with adequate authority and personnel. This agency should undertake to find solutions to the many pressing problems. Means of helping the financially weaker Laender and those overburdened with refugees and evacuees should be devised. Solutions to the current legal problems relating to the payment of amounts remaining on old mortgages and the blocking of rebuilding resulting from the transfer of mortgage loans to the Laender, should be found. Means should also be found to counter the practices which are said to have grown up around the granting of loans and which serve to direct funds into many other lines and leave but little for building. Better control over uses of building materials and labor should be instituted. There should be much less construction of commercial structures, restaurants, night clubs and fine residences. It should be made certain that workers' housing gets all materials and labor required for such program as may be planned. The production of building materials should be increased by allocating greater quantities of coal. Young people should be encouraged to enter the building industry in order to assure an adequate supply of labor during the years of building construction required to house the population and provide the necessary work places. Apprenticeship training should be adapted to meet the requirements of new construction methods. Methods of utilizing labor on the job should be improved. The markups of contractors and architects' fees should be kept at a minimum.

I. Special Non-Partisan German Commission.

Because of the importance of the problem of unemployment and underemployment and the complexity of causes and remedies, full information

should be promptly assembled in order that the necessary corrective measures may be devised. The finding of solutions will have to be chiefly a German responsibility. Intelligent action will depend upon competent non-partisan investigation and the widespread publication of all the facts.

It should be recognized first of all that the problem of unemployment /and underemployment/ is bigger than any political party. Every party except the Communists would gain by contributing to its solution. The major parties should cease harping on positions previously taken. A study of the facts will show that both parties have been partly right and partly wrong. Too strict control over all phases of distribution and prices leaves too little leeway for initiative. On the other hand, too rapid and complete a relaxation of controls has resulted in inflationary tensions that are now beginning to be relaxed only a great loss to the economy and suffering by the people.

For the purpose of making this investigation it is, therefore, desirable that the German government appoint an outstanding expert non-partisan commission to hold hearings, get expert testimony and papers, assemble facts, and make public a comprehensive report with detailed recommendations.

The frame of reference of such a commission would be a complete investigation of all aspects of the problem and the devising of ways and means for its solution within a generally free economy. Recommendations should be directly related to specific causes or problems. They should not be stated merely in terms of generalities. The Commission should have adequate powers to call upon public and private agencies or groups for such facts as may be needed in its investigation. It should have ample funds to hire experts to investigate and report on specific technical phases of the problem. Hearings should be carefully planned well in advance in order that witnesses may be able to contribute most intelligently to the Commission's work. Witnesses should be heard from all groups, including agriculture, forestry, fishing, industry, handicraft, construction, trade and transportation; finance experts; trade unions; consumers and producers cooperatives; consumers' and homemakers' groups; the technical industrial professions; universities, vocational schools, and schools for adult education; public administrators in fields of taxation, tax collection, price administration and price policy, housing, social insurance and public relief.

Witnesses should be expected not merely to state their case but to answer pertinent questions relating to the problems on which they testify. The Commissioners engaged in holding hearings should be prepared to follow up formal testimony with questions designed to bring out all angles. The Commission's technical staff should prepare and suggest questions for this purpose.

Some of the specific questions which this expert commission should study are the following:

1) Extent and causes of unemployment and short hours, by industry, occupation, and geographical location.
   Types of workers affected, particularly with reference to age, sex, degree of skill, employability, disability, and whether refugee, evacuee or indigenous.

2) Cost of unemployment and short hours, particularly losses in production, wages, public revenue and expenditures for unemploy-

ment insurance and relief.

3) Social costs and political dangers of unemployment as they now exist in the Bizonal Area.

4) Population trends in relation to probable number of workplaces required and where they will be needed.
Questions of relief of population pressure through emigration, resettlement, birth control, and industrial development.

5) Industrial trends:
Which industries will need capital and workers and in what degree; what locations will be affected;
need of housing and other local facilities;
problem of shifting of industries; relative position of agriculture.

6) Bottlenecks to production, where thay are now and what they may be during the next decade:
Specific attention devoted to coal production; electric generating capacity, both steam and hydro-electric; and raw materials shortages.
Housing as an industrial bottleneck; legal and financial problems standing in way of construction, need of technical advances in construction.
Capital as a bottleneck.
Studies of specific industries to locate particular bottlenecks.

7) Industrial efficiency, including:
Cost of production and distribution; cost and accounting practices; worker training and education, including apprenticeship systems, vocational schools, schools for adult workers, training within industry.
Relationship to ability of Germany to export, including questions of production costs, design of products, foreign exchange availability and rates.
Standardization and mass production methods.

8) Existence of monopolistic practices respecting prices, availability of credit, production, technical processes, access to materials and markets.

9) Functions, activities and proper place of trade associations.

10) Place and functions of trade unions and employers associations.

11) Place and functions of producer-and consumer cooperatives.

12) Public finances:
Need of tax revision to encourage industrial expansion, accumulation of capital, honesty in reporting incomes and turnover, and to discourage excessive cost calculations by businessmen;
Incidence of current taxes on the various elements of the population;
Evasion and avoidance of taxes and blocking of loopholes;
Desirability of continuous tax research on modern lines;
Custom duties, including effects of current rates on the economy.

customs relationships with surrounding countries, smuggling and loss of public revenue and foreign exchange;
Mechanisms used and extent of capital flight;
Question of equalization of burdens in relation to the economy;
Interaction of public revenues and expenditures and employment;
Methods of using public funds to maintain full employment,
Public support of housing construction.

13) Policies with respect to international economic relations, including foreign trade practices within the framework of the International Trade Organization.

14) Particular problems arising from the loss of trade with the eastern and southeastern parts of Europe.

15) Currency, banking and credit policies :
Short, medium and long-term credit uses;
Control of quantities of credit and currency;
Interest rates in relation to industrial activity;
Creation of credit for maintenance of employment.

16) Trends in national income and its distribution between wage and salary earners, owners of property, business profits, etc.

17) Analysis of the period since the first world war to straighten out thinking on economic policies; prosperity and depression in their relation to social and political unrest; economic relations with the rest of the world; current economic tensions in the Bizonal economy.

18) Finding a suitable balance between central planning and private initiative.

19) Establishing a permanent council of experts to continue the analysis of economic trends as a guide to public policy.

20) What other countries with free institutions are doing with respect to these problems.

21) Plans for public information on all of the subjects investigated.

14 July 1949

EARL R. BECKNER
Labor Economics Branch
Manpower Division

Table 1

Unemployed by Occupational Groups
Bizonal Area

Occupational Groups	June 1948	Sept. 1948	Dec. 1948	Jan. 1949	Febr. 1949	March 1949	April 1949	May 1949	June 1949 1/
Agriculture	28,236	53,762	63,282	78,203	83,423	84,921	80,274	76,967	
Foresters, hunters, fishermen	2,735	8,663	11,331	14,920	17,016	19,080	18,651	19,795	
Miners	2,498	4,169	4,386	5,605	5,928	6,332	6,201	6,108	
Quarrying, stone, ceramics, glass	3,085	7,005	7,455	12,059	14,548	16,005	15,356	14,506	
Metal, related trades	39,306	66,382	61,844	81,541	93,472	110,560	128,102	141,010	
Musical instruments, toys	459	2,136	1,652	2,214	2,338	2,728	3,188	3,310	
Chemicals	1,586	2,575	2,141	2,773	3,036	3,578	4,184	4,535	
Rubber, related trades	424	747	685	903	1,120	1,440	1,746	2,040	
Textiles	6,092	17,066	12,608	14,909	17,743	20,982	23,130	24,235	
Paper manufacture	1,107	2,322	1,987	2,535	2,744	3,015	3,539	3,950	
Leather, related trades	2,393	3,701	3,125	4,247	5,742	7,349	8,923	9,856	
Woodworking, related trades	9,144	17,364	14,341	20,693	26,390	33,652	40,318	44,122	
Food processing, tobacco	14,153	25,398	24,050	31,261	34,806	38,677	41,918	42,130	
Clothing, incl. shoes	15,206	24,332	19,795	25,670	32,509	40,096	46,532	49,021	
Barbers, hairdressers, etc.	3,877	8,464	7,575	8,879	9,336	9,793	10,095	10,373	
Construction, related trades	13,244	23,939	40,142	89,351	107,305	112,145	87,483	73,724	
Graphic trades	2,312	4,203	3,533	4,061	4,209	4,548	4,880	4,917	
Cleaning, dyeing, laundry	1,294	2,477	2,324	2,722	3,070	3,296	3,608	3,787	
Theatre, stage hands	52	16	25	15	40	16	21	10	
Catering, hotels, restaurants	11,470	21,695	20,363	22,532	24,077	26,137	27,524	28,390	
Transport, post, telegraph	28,453	50,816	53,647	69,294	75,755	82,321	86,884	90,956	
Domestic servants	25,762	45,749	38,586	42,996	46,834	49,779	53,801	55,461	
Unskilled workers	45,646	109,584	108,608	131,739	146,969	159,669	162,351	166,314	
Machinists, stokers	2,048	3,531	4,020	5,401	6,039	6,521	6,659	7,007	
Commercial and administrative occupations	103,771	165,969	154,197	168,379	173,879	181,686	198,163	202,609	
Engineers and technicians	15,751	22,748	21,245	23,424	24,298	26,069	28,819	29,287	
Other professional and salaried employees	26,296	41,403	37,161	39,708	40,453	42,512	46,490	47,363	
Non-permanent occupations	35,195	31,541	22,780	31,756	35,084	39,233	55,896	53,851	
Total:	441,595	767,757	742,888	937,790	1,038,163	1,132,140	1,194,741	1,215,634	1,237,712

1/ Only the total is availble for June 1949.

Source: Bizonal Department for Manpower

Table 2 Unemployed Male Wage and Salary Earners by Months
Bizonal Area

Occupational Groups	June 1948	Sept. 1948	Dec. 1948	Jan. 1949	Febr. 1949	March 1949	April 1949	May 1949	June 1949 1/
Agriculture	22,190	44,493	51,253	62,982	66,422	67,703	64,716	63,571	
Foresters, hunters, fishermen	2,527	8,168	10,288	13,273	15,254	17,331	17,399	18,426	
Miners	2,449	3,960	4,081	5,170	5,451	5,658	5,830	5,758	
Quarrying, stone, ceramics, glass	2,780	5,521	6,157	10,435	12,622	13,711	12,763	11,706	
Metal, related trades	38,370	63,916	60,076	79,245	90,726	106,876	122,689	134,370	
Musical instruments, toys	314	985	752	922	993	1,197	1,316	1,386	
Chemicals	1,075	1,336	1,177	1,536	1,607	1,910	2,072	2,315	
Rubber, related trades	308	486	467	615	756	962	1,103	1,284	
Textiles	3,200	4,329	3,683	4,640	4,921	5,333	5,459	5,592	
Paper manufacture	727	1,135	1,020	1,213	1,260	1,370	1,488	1,607	
Leather, related trades	2,116	2,671	2,535	3,494	4,751	6,040	7,108	7,768	
Woodworking, related trades	8,803	14,723	12,527	18,246	23,356	29,807	35,837	39,239	
Food processing, tobacco	13,221	22,031	21,582	27,538	30,187	32,186	32,813	33,001	
Clothing, incl. shoes	8,001	10,071	8,561	11,962	16,327	21,007	24,233	25,987	
Barbers, hairdressers, etc.	2,803	5,763	5,554	6,645	6,995	7,320	7,504	7,733	
Construction, related trades	13,227	23,871	40,073	89,271	107,203	112,034	87,311	73,550	
Graphic trades	1,941	3,234	2,843	3,211	3,296	3,513	3,729	3,698	
Cleaning, dyeing, laundry	778	1,351	1,327	1,612	1,747	1,860	1,982	2,021	
Theatre, stage hands	49	13	24	12	40	14	19	8	
Catering, hotels, restaurants	5,837	9,842	9,710	10.943	11,530	12,500	12,688	12,873	
Transport, post, telegraph	25,757	43,658	47,274	61,391	66,279	71,179	73,950	77,172	
Domestic servants	611	1,003	1,019	1,197	1,383	1,385	1,462	1,588	
Unskilled workers	33,691	74,607	76,984	99,951	112,016	120,017	117,330	119,251	
Machinists, stokers	2,026	3,503	4,004	5,377	6,007	6,465	6,617	6,943	
Commercial and administrative occupations	79,797	112,349	105,141	115,255	118,285	122,241	131,441	133,382	
Engineers and technicians	14,916	21,365	20,070	22,166	22,939	24,634	27,168	27,584	
Other professional and salaried occupations	17,751	25,962	23,316	24,751	25,382	26,785	29,000	29,190	
Non-permanent occupations	25,683	19,394	13,804	19,670	21,116	22,750	31,326	28,576	
Total:	330,948	529,940	535,302	702,729	778,851	844,008	866,353	875,579	894,279

1/ Only the total is available for June 1949.

Table 3 — Unemployed Female Wage and Salary Earners by Months
Bizonal Area

Occupational Groups	June 1948	Sept. 1948	Dec. 1948	Jan. 1949	Febr. 1949	March 1949	April 1949	May 1949	June 1949 1/
Agriculture	6,046	9,269	12,029	15,221	17,001	17,218	15,558	13,396	
Foresters, hunters, fishermen	208	495	1,043	1,647	1,762	1,749	1,252	1,369	
Miners	49	209	305	435	477	474	371	350	
Quarrying, stone, ceramics, glass	305	1,484	1,298	1,624	1,926	2,294	2,593	2,800	
Metal, related trades	936	2,466	1,768	2,296	2,746	3,684	5,413	6,640	
Musical instruments, toys	145	1,151	900	1,292	1,345	1,531	1,872	1,924	
Chemicals	511	1,239	964	1,237	1,429	1,668	2,112	2,220	
Rubber, related trades	116	261	218	288	364	478	643	756	
Textiles	2,892	12,737	8,925	10,269	12,822	15,649	17,671	18,643	
Paper manufacture	380	1,187	967	1,322	1,484	1,645	2,051	2,343	
Leather, related trades	277	830	590	753	991	1,309	1,815	2,088	
Woodworking, related trades	341	2,641	1,814	2,447	3,034	3,845	4,481	4,883	
Food processing, tobacco	932	3,367	2,468	3,723	4,619	6,491	9,105	9,129	
Clothing, incl. shoes	7,205	14,261	11,234	13,708	16,182	19,089	22,299	23,034	
Barbers, hairdressers, etc.	1,074	2,701	2,021	2,234	2,341	2,473	2,591	2,640	
Construction, related trades	17	68	69	80	102	111	177	174	
Graphic trades	371	969	690	850	913	1,035	1,151	1,219	
Cleaning, dyeing, laundry	516	1,126	997	1,110	1,323	1,436	1,626	1,766	
Theatre, stage hands	3	3	1	3	-	2	2	2	
Catering, hotels, restaurants	5,633	11,853	10,653	11,589	12,547	13,637	14,836	15,517	
Transport, post, telegraph	2,696	7,158	6,373	7,903	9,476	11,142	12,934	13,784	
Domestic servants	25,151	44,746	37,567	41,799	45,451	48,394	52,339	53,873	
Unskilled workers	11,955	34,977	31,624	31,788	34,953	39,652	45,021	47,063	
Machinists, stokers	22	28	16	24	32	36	42	64	
Commercial and administrative occupations	23,974	53,620	49,056	53,124	55,594	59,445	66,722	69,227	
Engineers and technicians	835	1,383	1,175	1,258	1,359	1,435	1,651	1,703	
Other professional and salaried occupations	8,545	15,441	13,845	14,957	15,071	15,727	17,490	18,173	
Non-permanent occupations	9,512	12,147	8,976	12,086	13,968	16,483	24,570	25,275	
Total:	110,647	237,817	207,586	235,067	259,312	288,132	328,388	340,055	343,433

Source: Bizonal Department for Manpower

Unemployed Registered at Labor Offices

Table 4

Bizonal Area

June 1948 - June 1949

Land	Jun 1948	Sep 1948	Dec 1948	Jan 1949	Feb 1949	Mar 1949	Apr 1949	May 1949	Jun 1949
Nordrhein-Westfalen	122,260	133,659	106,243	124,563	127,410	139,707	167,322	179,524	182,710
Niedersachsen	59,075	133,004	171,050	215,204	236,912	259,950	273,294	282,396	236,750
Schleswig Holstein	21,250	89,446	114,757	140,609	155,397	170,356	183,656	186,565	189,113
Hamburg	14,493	27,475	26,189	31,996	34,801	38,484	44,143	48,795	51,895
Bayern	145,727	269,621	227,063	300,778	340,445	364,701	360,280	347,025	348,258
Hessen	41,895	62,845	61,089	79,413	88,948	98,859	101,053	101,197	104,909
Wuerttemberg-Baden	29,972	31,113	25,036	33,741	39,532	44,532	48,070	53,786	57,338
Bremen	6,923	10,594	11,461	13,486	14,718	15,551	16,923	16,346	16,739
TOTAL	441,595	767,757	742,888	937,790	1,038,163	1,132,140	1,194,741	1,215,634	1,237,712

Source: Bizonal Department for Manpower

NUMBER AND PERCENTAGE OF THE UNEMPLOYED IN RELATION
TO THE TOTAL WAGE AND SALARY EARNING LABOR FORCE[a] BY LAND

BIZONAL AREA

30 June 1949

Table 5

Land	Males			Females			Total		
	Unemployment	Wage and Salary Earning Labor Force a/	%	Unemployment	Wage and Salary Earning Labor Force a/	%	Unemployment	Wage and Salary Earning Labor Force a/	%
Bizonal Area	894,279	9,461,272	9.5	343,433	3,895,409	8.8	1,237,712	13,356,681	9.3
Nordrhein-Westfalen	127,642	3,171,092	4.0	55,068	1,128,519	4.9	182,710	4,299,611	4.2
Niedersachsen	221,526	1,494,562	14.8	65,224	596,358	10.9	286,750	2,090,920	13.7
Schleswig-Holstein	136,707	581,876	23.5	52,406	256,283	20.4	189,113	838,159	22.6
Hamburg	32,561	426,304	7.6	19,334	205,641	9.4	51,895	632,445	8.2
Bayern	244,177	1,851,103	13.2	104,081	908,911	11.6	348,258	2,760,014	12.6
Hesse	79,172	969,573	8.2	25,737	355,051	7.2	104,909	1,324,629	7.9
Wuerttemberg-Baden	40,038	820,896	4.9	17,300	389,112	4.4	57,338	1,210,008	4.7
Bremen	12,456	145,361	8.6	4,283	55,534	7.7	16,739	200,895	8.3

a/ Employed and unemployed wage and salary earners.

Source: Bizonal Department for Manpower

BIZONAL AREA

End March 1949

Table 6

Area	Number of labor office districts	Unemployed in % of labor force 1/									
		up to 3.5		3.6 to 6.5		6.6 to 10.0		10.1 to 15.0		15.1 & over	
		No.	%	No.	%	No.	%	No.	%	No.	%
Males and Females											
Bizonal Area	161	45	20.0	33	20.5	16	9.9	29	18.0	38	23.6
I. Predominantly industrial Laender	85	45	52.9	27	31.8	7	8.2	4	4.7	2	2.4
Nordrhein-Westfalen	56	35	62.5	19	33.9	2	3.6	-	-	-	-
Wuerttemberg-Baden	14	8	57.2	4	28.6	1	7.1	1	7.1	-	-
Hessen	15	2	13.3	4	26.7	4	26.7	3	20.0	2	13.3
II. Predominantly agricultural Laender	72	-	-	3	4.2	8	11.1	25	34.7	36	50.0
Bayern	35	-	-	1	2.9	5	14.3	9	25.7	20	57.1
Niedersachsen	28	-	-	2	7.1	3	10.7	15	53.6	8	28.6
Schleswig-Holstein	9	-	-	-	-	-	-	1	11.1	8	88.9
III. Ports	4	-	-	3	75.0	1	25.0	-	-	-	-
Hamburg	1	-	-	1	100.0	-	-	-	-	-	-
Bremen	3	-	-	2	66.7	1	33.3	-	-	-	-
Males											
Bizonal Area	161	51	31.7	24	14.9	18	11.2	24	14.9	44	27.3
I. Predominantly industrial Laender	85	51	60.0	21	24.7	7	8.2	4	4.7	2	2.4
Nordrhein-Westfalen	56	40	71.4	14	25.0	2	3.6	-	-	-	-
Wuerttemberg-Baden	14	8	57.2	4	28.6	1	7.1	1	7.1	-	-
Hessen	15	3	20.0	3	20.0	4	26.7	3	20.0	2	13.3
II. Predominantly agricultural Laender	72	-	-	2	2.8	8	11.1	20	27.8	42	58.3
Bayern	35	-	-	1	2.9	4	11.4	8	22.9	22	62.8
Niedersachsen	28	-	-	1	3.6	4	14.3	12	42.8	11	39.3
Schleswig-Holstein	9	-	-	-	-	-	-	-	-	9	100.0
III. Ports	4	-	-	1	25.0	3	75.0	-	-	-	-
Hamburg	1	-	-	1	100.0	-	-	-	-	-	-
Bremen	3	-	-	-	-	3	100.0	-	-	-	-
Females											
Bizonal Area	161	38	23.6	42	26.0	31	19.3	31	19.3	19	11.8
I. Predominantly industrial Laender	85	37	43.5	34	40.0	9	10.6	5	5.9	-	-
Nordrhein-Westfalen	56	27	48.2	23	41.1	4	7.1	2	3.6	-	-
Wuerttemberg-Baden	14	9	64.3	5	35.7	-	-	-	-	-	-
Hessen	15	1	6.7	6	40.0	5	33.3	3	20.0	-	-
II. Predominantly agricultural Laender	72	-	-	7	9.7	20	27.8	26	36.1	19	26.4
Bayern	35	-	-	3	8.6	9	25.7	13	37.1	10	28.6
Niedersachsen	28	-	-	4	14.3	11	39.3	9	32.1	4	14.3
Schleswig-Holstein	9	-	-	-	-	-	-	4	44.4	5	55.6
III. Ports	4	1	25.0	1	25.0	2	50.0	-	-	-	-
Hamburg	1	-	-	-	-	1	100.0	-	-	-	-
Bremen	3	1	33.3	1	33.3	1	33.3	-	-	-	-

1/ i.e. wage and salary earning labor force, which is the sum of employed wage and salary earners and registered unemployed.

Source: Bipartite Control Office
Manpower Group
Reports and Statistics

Table 7

Employed and Unemployed Male Wage and Salary Earners by Occupational Groups
Bizonal Area

(In Thousands)

Occupational Groups	June 1948		Sept. 1948		Dec. 1948		March 1949	
	Empl.	Unempl.	Empl.	Unempl.	Empl.	Unempl.	Empl.	Unempl.
Agriculture	792.9	22.2	748.1	44.5	707.4	51.3	667.7	67.7
Foresters, hunters, fishermen	109.7	2.5	100.8	8.2	99.3	10.3	92.8	17.3
Miners	403.5	2.4	403.2	4.0	409.8	4.1	414.4	5.9
Quarrying, stone, ceramics, glass	97.0	2.8	98.0	5.5	100.4	6.2	96.6	13.7
Metal, related trades	1,679.4	38.4	1,694.6	63.9	1,734.1	60.1	1,723.5	106.9
Musical instruments, toys	5.1	0.3	4.2	1.0	4.4	0.8	3.8	1.2
Chemicals	59.2	1.1	60.1	1.3	62.9	1.2	64.5	1.9
Rubber, related trades	17.9	0.3	18.2	0.5	18.8	0.5	19.6	1.0
Textiles	83.9	3.2	87.3	4.3	88.9	3.7	91.3	5.3
Paper manufacture	24.8	0.7	25.0	1.1	25.4	1.0	25.7	1.4
Leather, related trades	67.1	2.1	67.3	2.9	69.3	2.5	66.8	6.0
Woodworking, related trades	389.3	8.8	396.0	14.7	406.8	12.5	399.0	29.8
Food processing, tobacco	260.7	13.2	256.5	22.0	257.6	21.6	249.5	32.2
Clothing, incl. shoes	172.8	8.0	174.2	10.1	176.9	8.6	166.2	21.0
Barbers, hairdressers, etc.	52.9	2.8	50.0	5.8	49.4	5.6	47.7	7.3
Construction, related trades	632.2	13.2	647.7	23.9	659.9	40.1	603.1	112.0
Graphic trades	57.8	1.9	58.5	3.2	59.6	2.8	60.2	3.5
Cleaning, dyeing, laundry	29.7	0.8	29.4	1.4	28.9	1.3	29.1	1.9
Theatre, stage hands	0.5	0.0	0.3	0.0	0.2	0.0	0.2	0.0
Catering, hotels, restaurants	63.2	5.8	58.4	9.8	57.6	9.7	55.2	12.5
Transport, post, telegraph	866.4	25.8	857.4	43.7	858.2	47.3	879.4	71.2
Domestic servants	21.0	0.6	20.9	1.0	20.7	1.0	21.4	1.4
Unskilled workers	728.1	33.7	736.4	74.6	771.9	77.0	700.3	120.0
Machinists, stokers	100.9	2.0	100.3	3.5	101.7	4.0	101.6	6.5
Commercial and administrative occupations	1,581.9	79.8	1,564.0	112.3	1,570.3	105.1	1,487.4	122.2
Engineers and technicians	262,0	14.9	258.2	21.4	257,0	20.1	266.8	24.6
Other professional and salaried occupations	208.3	17.8	204.3	26.0	204.6	23.3	227.2	26.8
Non-permanent occupations	10.7	25.7	8,9	19.4	6.1	13.8	7.8	22.8

Source: Bizonal Department for Manpower

Table 8 Employed and Unemployed Female Wage and Salary Earners by Occupational Groups
Bizonal Area

(In Thousands)

Occupational Groups	June 1948		Sept. 1948		Dec. 1948		March 1949	
	Empl.	Unempl.	Empl.	Unempl.	Empl.	Unempl.	Empl.	Unempl.
Agriculture	389.8	6.0	375.1	9.3	354.7	12.0	337.7	17.2
Foresters, hunters, fishermen	7.3	0.2	6.6	0.5	6.2	1.0	4.9	1.7
Miners	1.3	0.6	1.2	0.2	1.0	0.3	0.8	0.5
Quarrying, stone, ceramics, glass	14.7	0.3	15.9	1.5	17.8	1.3	18.5	2.3
Metal, related trades	39.5	0.9	44.6	2.5	53.6	1.8	59.0	3.7
Musical instruments, toys	4.4	0.1	3.4	1.2	4.1	0.9	3.3	1.5
Chemicals	19.7	0.5	20.2	1.2	22.1	1.0	21.7	1.7
Rubber, related trades	5.7	0.1	6.8	0.3	7.8	0.2	8.3	0.5
Textiles	126.6	3.0	130.1	12.7	146.2	8.9	151.9	15.6
Paper manufacture	15.2	0.4	16.4	1.2	18.9	1.0	20.9	1.6
Leather, related trades	10.7	0.3	11.7	0.8	12.6	0.6	12.3	1.3
Woodworking, related trades	14.9	0.3	13.9	2.6	16.7	1.8	16.0	3.8
Food processing, tobacco	47.8	0.9	50.8	3.4	58.2	2.5	60.6	6.5
Clothing, incl. shoes	257.2	7.2	270.4	14.3	282.0	11.2	281.7	19.1
Barbers, hairdressers, etc.	41.7	1.1	40.5	2.7	40.8	2.0	40.2	2.5
Construction, related trades	0.8	0.0	0.7	0.0	0.8	0.0	0.8	0.1
Graphic trades	11.7	0.4	11.8	1.0	12.7	0.7	13.1	1.0
Cleaning, dyeing, laundry	21.2	0.5	22.0	1.1	23.3	1.0	24.7	1.4
Theatre, stage hands	0.0	0.0	0.1	0.0	0.1	0.0	0.1	0.0
Catering, hotels, restaurants	128.0	5.6	120.4	11.9	120.4	10.7	117.3	13.6
Transport, post, telegraph	96.2	2.7	99.8	7.2	109.9	6.4	107.8	11.1
Domestic servants	831.6	25.2	820.4	44.7	816.9	37.6	811.0	48.4
Unskilled workers	200.4	12.0	223.8	35.0	272.7	31.6	266.2	39.7
Machinists, stokers	0.9	0.0	1.0	0.0	1.0	0.0	1.0	0.0
Commercial and administrative occupations	880.5	24.0	883.7	53.6	909.7	49.1	902.8	59.4
Engineers and technicians	18.0	0.8	17.9	1.4	17.6	1.2	17.6	1.4
Other professional and salaried employees	236.8	8.5	233.0	15.4	231.8	13.8	244.2	15.7
Non-permanent occupations	13.1	9.5	8.0	12.1	6.6	9.0	6.0	16.5

Source: Bizonal Department for Manpower

Table 9

Changes in Number of Employed and Unemployed Persons by Sex in the Various Occupational Groups
December 1948 to March 1949
Bizonal Area

(In Thousands)

Occupational Groups	Employed Men	Unemployed Men	Employed Women	Unemployed Women
Agriculture	- 39.7	+ 16.4	- 17.0	+ 5.2
Foresters, hunters, fishermen	- 6.5	+ 7.0	- 1.3	+ 0.7
Miners	- 4.6	+ 1.8	- 0.2	+ 0.2
Quarrying, stone, ceramics, glass	- 3.8	+ 7.5	+ 0.6	+ 1.0
Metal, related trades	- 10.6	+ 46.8	+ 5.4	+ 1.9
Musical instruments, toys	- 0.6	+ 0.4	- 0.9	+ 0.6
Chemicals	+ 1.6	+ 0.7	- 0.5	+ 0.7
Rubber, related trades	+ 0.8	+ 0.5	+ 0.5	+ 0.3
Textiles	+ 2.4	+ 1.6	+ 5.8	+ 6.7
Paper manufacture	+ 0.2	- 0.4	+ 1.9	+ 0.6
Leather, related trades	- 2.5	+ 3.5	- 0.4	+ 0.7
Woodworking, related trades	- 7.8	+ 17.3	- 0.7	+ 2.0
Food processing, tobacco	- 8.1	+ 10.6	+ 2.4	+ 4.0
Clothing, incl. shoes	- 10.3	+ 12.4	- 0.3	+ 7.9
Barbers, hairdressers, etc.	- 1.7	+ 1.7	- 0.6	+ 0.5
Construction, related trades	- 56.8	+ 71.9	± 0	+ 0.1
Graphic trades	+ 0.7	+ 0.7	+ 0.4	+ 0.3
Cleaning, dyeing, laundry	+ 0.3	+ 0.5	+ 1.5	+ 0.4
Theatre, stage hands	± 0	± 0	± 0	± 0
Catering, hotels, restaurants	+ 2.4	+ 2.8	- 3.1	+ 2.9
Transport, post, telegraph	+ 21.2	+ 23.9	- 2.1	+ 4.7
Domestic servants	+ 0.6	- 0.4	- 5.9	+ 10.8
Unskilled workers	- 71.6	+ 43.0	- 6.5	+ 8.1
Machinists, stokers	- 0.1	+ 2.5	± 0	± 0
Commercial and administrative occupations	- 82.9	+ 17.1	- 6.9	+ 10.3
Engineers and technicians	+ 9.8	+ 4.5	± 0	+ 0.2
Other professional and salaried employees	+ 22.6	+ 3.5	- 12.4	+ 1.9
Non-permanent occupations	+ 1.7	+ 9.0	± 0.6	+ 7.5

Source: Bizonal Department for Manpower

Table 30

Labor Market and Labor Market Requirements by Month, June 1948 to May 1949.

Bizonal Area

Month	Vacancies unfilled at end of month (000)			Vacancies filled during month in percentage of registered vacancies			Number of unemployed per vacancy unfilled at end of month			Vacancies unfilled at end of month in percentage of employed wage and salary earners (1)		
	Males	Females	Total	Males	Females	Total	Males	Females	Total	Males	Females	Total
1948 June	401.0	203.8	604.8	39.0	39.5	38.2	0.83	0.54	0.73	4.6	5.9	5.0
July	157.8	87.2	245.0	68.1	66.1	67.4	2.93	2.15	2.66			
Aug	151.3	84.1	235.4	67.5	66.5	67.1	3.52	2.80	3.26			
Sep	172.4	87.7	260.1	63.1	64.6	63.3	3.07	2.71	2.95	2.0	2.5	2.1
Oct	182.5	86.3	268.8	65.0	67.5	65.8	2.71	2.66	2.69			
Nov	167.0	78.2	245.2	63,8	68.2	65.3	2.89	2.80	2.86			
Dec	127.8	72.9	200.7	64.7	63.6	64.3	4.19	2.85	3.70	1.5	2.0	1.6
1949 Jan	113.1	79.8	192.9	68.0	60.4	65.2	6.21	2.95	4.86			
Feb	107.8	80.1	187.9	70.6	62.9	67.8	7.23	3.24	5.52			
Mar	96.0	76.1	172.1	73.4	62.2	69.4	8.79	3.79	6.58	1.1	2.1	1.4
Apr	88.6	70.2	158.8	76.3	66.3	72.8	9.78	4.68	7.52			
May	74.3	60.2	134.5	79.5	71.1	76.4	11.78	5.65	9.04			
										N.A.	N.A.	N.A.

(1) Data available quarterly only

Source: Bizonal Department for Manpower

Number of Registered Unemployed Males per Job Vacancy in Selected Occupational Groups, by Laender.

Table 11 — End April 1949 — 1

Occupational Group	Nordrhein-Westfalen			Niedersachsen			Schleswig-Holstein		
	Unemployed	Vacancies	Unemployed per Vacancy	Unemployed	Vacancies	Unemployed per Vacancy	Unemployed	Vacancies	Unemployed per Vacancy
Agricultural	4.487	11,306	0.4	23,811	5,246	4.5	19.602	917	21.4
Metal and selected occupations	15,861	4,041	3.9	29,972	447	67.1	22.214	90	246.8
Textile	823	685	1.2	979	102	9.6	331	13	25.5
Leatherworking, etc.	588	179	3.3	1,167	34	34.3	945	9	105.0
Woodworking, etc.	2,793	1,264	2.2	8,678	194	44.7	5,233	31	168.8
Food processing and tobacco	2.855	555	5.1	7.593	144	52.7	5.611	34	165.0
Clothing and shoes	2.733	846	3.2	5.134	221	23.2	3.162	31	102.0
Building and selected trades	7,401	5,235	1.4	19,088	987	19.3	14.907	83	179.6
Hotels, restaurants, etc.	1,776	260	6.8	2,618	67	39.1	1,808	13	139.1
Transport and comm.	8,715	1,367	6.4	19,504	331	58.9	14,581	81	180.0
Unskilled	19,514	5,790	3.4	23,386	761	30.7	5,109	58	88.1
Commercial and administrative	18,689	1,071	17.4	30,629	335	91.4	19,284	70	275.5
Total - all occupations	110,933	40,823	2.7	210,190	11,027	19.1	133,896	1,515	88.4

Source: Bizonal Department for Manpower

Number of Registered Unemployed Males per Job Vacancy in Selected Occupational Groups, by Laender

Table 11 (cont'd) End April 1949 2

Occupational Group	Hamburg			Bayern			Hessen		
	Unemployed	Vacancies	Unemployed per Vacancy	Unemployed	Vacancies	Unemployed per Vacancy	Unemployed	Vacancies	Unemployed per Vacancy
Agricultural	301	130	2.3	12,074	9,668	1.2	3,558	2,967	1.2
Metal and related occupations	3,664	174	21.1	31,918	964	33.1	11,130	479	23.2
Textile	30	5	6.0	2,335	140	16.7	709	22	32.2
Leather working, etc.	175	11	15.9	2,383	65	36.7	1.537	38	40.4
Woodworking, etc.	517	63	8.2	13,701	419	32.7	3,507	229	15.3
Food processing and tobacco	818	47	17.4	11,805	179	65.9	2,695	87	31.0
Clothing and shoes	450	82	5.5	9.141	367	24.9	2,441	199	12.3
Building and related trades	813	221	3.7	33,318	1,776	18.8	9,121	1,309	7.0
Hotels, restaurants, etc.	1,220	2	610.0	3,231	150	21.5	1,059	79	13.4
Transport and comm.	4,732	43	110.0	16,923	478	35.4	5,871	370	15.9
Unskilled	2.526	391	6.5	46,725	1,788	26.1	9,959	428	23.3
Commercial and administrative	7,394	298	24.8	34,246	255	134.3	12,807	119	107.6
Total - all occupations	27,085	1,682	16.1	261,215	17,158	15.2	76,634	6,885	11.1

Source: Bizonal Department for Manpower

Number of Registered Unemployed Males per Job Vacancy in Selected Occupational Groups, by Laender

Table 11 (cont'd) End April 1949

Occupational Group	Wuerttemberg-Baden			Bremen		
	Unemployed	Vacancies	Unemployed per Vacancy	Unemployed	Vacancies	Unemployed per Vacancy
Agricultural	762	3,031	0.3	121	101	1.2
Metal and related occupations	4,976	713	7.0	2,954	97	30.5
Textile	199	79	2.5	53	5	10.6
Leather working, etc.	242	38	6.4	71	15	4.7
Woodworking, etc.	1,006	396	2.5	402	89	4.5
Food processing and tobacco	1,007	121	8.3	429	34	12.6
Clothing and shoes	1.052	333	3.2	120	42	2.9
Building and related trades	2.284	1,238	1.8	379	535	0.7
Hotels, restaurants, etc.	422	30	14.1	554	61	9.1
Transport and comm.	1,808	227	8.0	1,816	153	11.9
Unskilled	9,121	822	11.1	990	315	3.1
Commercial and administrative	5,565	385	14.5	2,827	128	22.1
Total - all occupations	33,465	7,848	4.3	12,935	1,683	7.7

Source: Bizonal Department for Manpower

Number of Registered Unemployed Females per Job Vacancy in Selected Occupational Groups, by Laender

Table 12

End April 1948

Occupational Group	Nordrhein-Westfalen			Niedersachsen			Schleswig-Holstein		
	Unemployed	Vacancies	Unemployed per vacancy	Unemployed	Vacancies	Unemployed per vacancy	Unemployed	Vacancies	Unemployed per vacancy
Agricultural workers	1143	6052	0.2	5754	4524	1.3	3151	681	4.6
Metal and related occ.	637	63	9.4	283	18	15.7	568	2	284.0
Textile w.	1492	1005	1.5	2093	98	21.4	1974	17	116.1
Food processing and tobacco w.	844	208	4.1	1829	53	34.5	2650	0	0
Clothing w. (incl.shoes)	2729	1859	1.5	3642	344	10.6	3107	44	70.6
Hotel, catering, restaurant etc.	2153	606	3.6	2723	215	12.7	1942	36	53.9
Transport & communicat.	1771	252	7.0	1918	40	48.0	2099	2	1049.5
Domestic w.	10733	14439	0.7	11826	2625	4.5	11973	530	22.6
Unskilled w.	10412	1331	7.8	6673	126	53.0	2973	1	2973.0
Commercial & administr.	12562	1499	8.4	12757	492	25.9	9451	58	162.9
Total-all occupations	56339	28183	2.0	63104	9159	6.9	49760	1484	33.5

Source: Bizonal Department for Manpower

Number of Registered Unemployed Females per Job Vacancy in Selected Occupational Groups, by Laender

Table 12 (cont'd)

End April 1948

Occupational Group	Hamburg			Bayern			Hessen		
	Unemployed	Vacancies	Unemployed per vacancy	Unemployed	Vacancies	Unemployed per vacancy	Unemployed	Vacancies	Unemployed per vacancy
Agricultural workers	82	38	2.2	3902	7144	0.5	1221	1928	0.6
Metal and related occ.	625	10	62.5	2497	114	21.9	268	53	5.1
Textile w.	343	96	3.6	10041	482	20.8	991	62	16.0
Food processing and tobacco w.	2020	27	74.8	923	142	6.5	399	42	9.5
Clothing w.(incl.shoes)	1059	217	4.9	8721	799	10.9	1862	456	4.1
Hotel, catering, restaurant etc.	1347	31	43.5	4938	1065	4.6	898	148	6.1
Transport & communicat.	3227	42	76.8	2174	184	11.8	873	97	9.0
Domestic w.	1349	550	2.5	10783	4206	2.6	3613	2223	1.6
Unskilled w.	229	62	3.7	17217	412	41.8	2847	101	28.2
Commercial & administr.	3396	150	22.6	18944	529	35.8	6079	455	13.4
Total-all occupations	17058	1337	12.8	99065	16007	6.2	24419	6031	4.0

Source: Bizonal Department for Manpower

Number of Registered Unemployed Females per Job Vacancy in Selected Occupational Groups, by Laender

Table 12 (cont'd) End April 1948

Occupational Group	Wuerttemberg-Baden			Bremen		
	Unemployed	Vacancies	Unemployed per vacancy	Unemployed	Vacancies	Unemployed per vacancy
Agricultural workers	254	1771	0.1	51	59	0.8
Metal and related occ.	513	9	57.0	22	1	22.0
Textile w.	636	109	5.8	101	11	9.2
Food processing and tobacco w.	353	38	9.3	87	57	1.5
Clothing w. (incl.shoes)	964	539	1.8	215	93	2.3
Hotel, catering, restaurant etc.	625	344	1.8	210	71	3.0
Transport & communicat.	324	23	14.1	548	59	9.3
Domestic w.	1485	2957	0.5	577	800	0.7
Unskilled w.	4427	189	23.4	238	1	238.0
Commercial & administr.	2428	388	6.3	1105	175	6.3
Total-all occupations	14605	6532	2.2	3988	1467	2.7

Source: Bizonal Department for Manpower

Table 13 Refugees and Unemployment in the Bizonal Area 1/

End April 1949

Area	Males and Females			Males		Females	
	Unemployed Refugees	% of Total Unemployed	Refugees in % of Population 2/	Unemployed Refugees	% of Total Unemployed	Unemployed Refugees	% of Total Unemployed
Bizonal Area	433,541	36.3	17.1	318,587	36.8	144,954	35.0
Nordrhein-Westfalen	19,832	11.9	8.0	14,472	13.0	5,360	9.5
Niedersachsen	114,404	41.9	25.6	85,168	40.5	29,236	46.3
Schleswig Holstein	105,136	57.2	38.2	74,975	56.0	30,161	60.6
Hamburg	909	2.1	5.0	424	1.6	485	2.8
Bayern	148,812	41.3	20.6	109,370	41.9	39,442	39.8
Hessen	26,243	26.0	15.1	20,309	26.5	5,934	24.3
Wuerttemberg-Baden	17,143	35.7	17.7	13,003	38.9	4,140	20.3
Bremen	1,062	6.3	5.3	866	6.7	196	4.9

1/ For all Laender except Schleswig-Holstein "Refugees" are defined as German nationals or ethnic Germans whose permanent and legal residence on 1 January 1945 was outside the frontiers of German Reich (frontiers as of 1 March 1938) or was in the German provinces East of the Oder/Neisse line (frontiers of 1937). For Schleswig-Holstein "Refugees" include additionally German nationals resident on 1 January 1945 in what is now the Russian Zone and Berlin.

2/ End September 1948.

Source: Bipartite Control Office, Manpower Group
Reports and Statistics

UNEMPLOYED BY DURATION OF UNEMPLOYMENT

BIZONAL AREA

End March 1949

Table 14

Area	Total unemployed 1/	thereof unemployed									
		up to 14 days		14 days to 3 months		3 - 6 months		6 - 12 months		more than 12 months	
		number	percent	number	percent	number	percent	number	percent	number	percent
Males and Females											
BIZONAL AREA	1,132,592	130,712	12.2	484,661	42.3	276,959	24.5	131,241	16.0	51,019	4.5
Nordrhein-Westfalen	139,707	36,096	25.8	65,407	46.8	21,048	15.1	11,291	8.1	5,365	4.2
Hessen	98,859	12,339	12.5	44,920	45.4	24,720	25.0	12,787	12.9	4,093	4.2
Wuerttemberg-Baden	44,488	10,982	24.7	23,417	52.6	6,814	15.3	2,757	6.2	518	1.2
Niedersachsen	260,446	22,758	8.7	104,480	40.2	71,957	27.6	46,647	17.9	14,604	5.6
Schleswig-Holstein	170,356	14,937	8.8	65,315	38.3	47,061	27.6	38,948	22.9	4,095	2.4
Bayern	364,701	32,319	8.9	156,371	42.8	94,729	26.0	61,542	16.9	19,740	5.4
Hamburg	38,484	7,175	18.6	18,046	47.0	6,549	17.0	5,320	13.8	1,394	3.6
Bremen	15,551	2,106	13.6	6,705	43.1	4,081	26.2	1,949	12.5	710	4.6
Males											
BIZONAL AREA	844,401	92,114	10.9	359,966	42.6	217,085	25.8	135,711	16.1	39,913	4.6
Nordrhein-Westfalen	93,604	23,332	24.9	43,987	47.0	13,905	14.9	7,688	8.2	4,692	5.0
Hessen	76,395	8,262	10.8	35,310	46.9	20,079	26.3	9,496	12.3	2,818	3.7
Wuerttemberg-Baden	31,902	6,702	21.0	17,463	54.7	5,386	16.9	1,948	6.1	403	1.3
Niedersachsen	204,271	15,491	7.6	81,976	40.1	57,662	28.2	37,366	18.3	11,776	5.8
Schleswig-Holstein	128,200	9,989	7.8	46,588	36.3	37,171	29.0	31,297	24.4	3,155	2.5
Bayern	273,170	22,496	8.2	118,137	43.3	75,692	27.7	42,524	15.6	14,321	5.2
Hamburg	24,789	4,163	16.8	10,876	43.9	4,470	18.0	4,011	16.2	1,269	5.1
Bremen	12,070	1,679	13.9	5,131	42.5	3,330	27.6	1,451	12.0	479	4.0
Females											
BIZONAL AREA	288,191	46,598	16.2	124,693	43.2	59,264	20.6	45,530	15.8	12,106	4.2
Nordrhein-Westfalen	46,103	12,764	27.7	21,420	46.5	7,143	15.5	3,603	7.8	1,173	2.5
Hessen	22,464	4,077	18.1	9,110	40.7	4,641	20.5	3,361	15.0	1,275	5.7
Wuerttemberg-Baden	12,586	4,280	34.0	5,954	47.4	1,428	11.3	809	6.4	115	.9
Niedersachsen	56,175	7,267	12.9	22,504	40.2	14,295	25.4	9,281	16.5	2,828	5.0
Schleswig-Holstein	42,156	4,948	11.7	18,727	44.5	9,890	23.5	7,651	18.1	940	2.2
Bayern	91,531	9,823	10.7	38,234	41.8	19,037	20.8	19,018	20.8	5,419	5.9
Hamburg	13,695	3,012	22.0	7,170	52.3	2,079	15.2	1,309	9.6	315	2.3
Bremen	3,481	427	12.3	1,574	45.2	751	21.6	498	14.3	231	6.6

The total exceeds that given in Table 4 by 452 owing to a slight error made in the two separate counts largely in Niedersachsen.

Source: Bipartite Control Office, Manpower Group, Reports & Statistics Branch.

UNEMPLOYED BY DURATION OF UNEMPLOYMENT AND OCCUPATIONAL GROUPS
BIZONAL AREA

End Mar 49

Table 15 Males and Females

Occupational Classification of Workers	Total Unemployed	up to 3 months		over 3 months	
		No.	%	No.	%
All Groups 1/	1,132,592 2/	623,373	55.0	509,219	45.0
Rubber and related occupations	1,443	1,036	71.7	407	28.3
Leather and related occupations	7,353	5,181	70.5	2,172	29.5
Woodworkers and related occ.	33,658	22,740	67.6	10,918	32.4
Clothing (incl. shoes)	40,117	26,874	67.0	13,243	33.0
Chemicals	3,578	2,364	66.1	1,214	33.9
Domestic servants	49,813	31,610	63.5	18,203	36.5
Building and related occ.	167,082	105,739	63.3	61,343	36.7
Metal and related occ.	130,944	82,707	63.2	48,237	36.8
Textiles	20,977	12,332	58.8	8,645	41.2
Building materials and ceramics	12,810	7,426	57.9	5,384	42.1
Laundry, cleaning, dyeing	3,307	1,901	57.4	1,406	42.6
Miners and related occ.	6,334	3,585	56.5	2,749	43.5
Paper makers	3,022	1,706	56.5	1,316	43.5
Unskilled laborers 3/	84,521	47,619	56.3	36,902	43.7
Glass	3,199	1,798	56.2	1,401	43.8
Food processing and tobacco	38,685	21,655	56.0	17,030	44.0
Musical instruments & toymakers	2,729	1,520	55.6	1,209	44.4
Transport, post, telegraph	82,386	44,784	54.3	37,602	45.7
Printing and related occ.	4,549	2,380	52.3	2,169	47.7
Hotels, restaurants, catering	26,151	13,652	52.2	12,499	47.8
Enginemen and stokers	6,524	3,393	52.0	3,131	48.0
Barbers, hairdressers, etc.	9,789	4,888	50.0	4,901	50.0
Agricultural workers, foresters	103,993	49,813	47.9	54,180	52.1
Non-permanent occ.	39,176	17,930	45.8	21,246	54.2
White collar workers	250,436	108,729	43.3	141,707	56.6

3/ Excluding unskilled metal and building workers which are included with skilled workers in their respective occupational groups.

2/ The total exceeds that given in Table 4 by 452 owing to a slight error made in the two separate counts largely in Niedersachsen.

1/ Excluding the theater group having 16 registered unemployed. The total of "All Groups" is therefore 16 less than the total obtaining by adding the group figures.

Source: Bipartite Control Office
Manpower Group
Reports and Statistics Branch

Causes of Unemployment in 67 Labor Office Districts
with 10% or more unemployment at end Mar 49.

Bizonal Area
Jun 48 - Mar 49

Table 16

Area	Males and Females					Males					Females				
	Incr. in Unemployment Jun-Mar	Decr. in Employment Jun-Mar	% of inc. in Unemployment	Incr. or Decr. in Labor Force	% of inc. in Unemployment	Incr. in Unemployment Jun-Mar	Decr. in Employment Jun-Mar	% of inc. in Unemployment	Incr. or Decr. in Labor Force	% of inc. in Unemployment	Incr. in Unemployment Jun-Mar	Decr. in Employment Jun-Mar	% of inc. in Unemployment	Incr. or Decr. in Labor Force	% of inc. in Unemployment
Niedersachsen	177,160	151,490	85.5	+25,670	14.5	142,480	118,970	83.5	+23,510	16.5	34,670	32,520	93.8	+ 2,160	6.2
Schlesw. Holst.	149,110	124,780	83.7	+24,330	16.3	112,120	104,190	92.9	+ 7,930	7.1	36,990	20,590	55.7	+16,400	44.3
Bayern	180,090	150,960	83.8	+29,130	16.2	137,080	117,070	85.4	+20,010	14.6	43,020	33,890	78.8	+ 9,130	21.2
Hessen	38,990	19,550	50.1	+19,440	49.9	32,500	19,330	59.5	+13,170	40.5	6,490	220	3.4	+ 6,270	96.6
Wuertt. Baden	2,610	4,360		- 1,750		2,370	3,720		- 1,350		240	640		- 400	
Sum	547,960	451,140	82.3	+96,820	17.7	426,550	363,280	85.2	+63,270	14.8	121,410	87,860	72.4	+33,560	27.6

Note: Migrations of workers from some districts in Niedersachsen, Schleswig-Holstein, Bayern resulted in depressing the percentage increases in unemployment due to accessions to the labor force.

Source: Bipartite Control Office
Manpower Group
Reports & Statistics

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